

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 2, 2009

TO: Honorable Chris Harris, Chair, Senate Committee on Economic Development

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

IN RE: SB1569 by Eltife (relating to unemployment compensation modernization.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB1569, 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 (Cost) from Wrkforce Commission Fed 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 unemployment compensation modernization. The bill amends the Texas Unemployment Compensation Act (TUCA) by adding an alternate base period; allowing individuals to seek only part-time work; removing the six-to-25 week disqualification period for an individual who leaves work because of a spouse’s employment-related relocation, and the commute is impracticable; expanding circumstances and allowed documentation for individuals who leave work due to family violence or stalking; and expanding the circumstances under which an individual may voluntarily leave work to care for an ill or disabled immediate family member. These amendments address the UI Modernization provisions of Public Law 111-5. However, TWC has been notified by the U.S. Department of Labor that Section 9 of this bill would make the state ineligible to receive incentive funds under PL 111-5. Section 9 of the bill provides that amendments are not subject to discontinuation throughout the period that federal funding is provided to the Commission to carry

out the implementation and administration of these amendments. Notwithstanding any conflicting interpretations made by courts or then U.S. Department of Labor (DOL), these amendments will not extend beyond the period of time that the federal funding for implementation and administration under PL 111-5 has exhausted. Immediately thereafter, provisions relating to unemployment insurance coverage would revert back to pre-existing statutes. DOL has notified TWC that this section would make the state ineligible to receive UI modernization incentive funds.

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

Estimated costs for the Alternate 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 for the Unemployment Trust Fund.

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 FY2014, totaling \$137,380,248 for the five-year period.

Estimated costs for the Compelling Family Reasons section 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 \$24,727,413 during the five-year period.

In addition to those estimated impacts noted above, implementation of the provisions under SECTION 7 of the bill would result in an estimated potential savings to the Unemployment Trust Fund of \$17,394,941 in FY 2010, \$17,275,432 in FY 2011, \$16,305,600 in FY 2012, \$15,873,312 in FY 2013, and \$15,746,203 in FY 2014, totaling \$82,595,488 for the five-year period. Under current law, individuals who are discharged for misconduct or leave voluntarily without good cause can avoid a disqualification by accepting, then being laid off from, a brief temporary job. According to the analysis by TWC, this change will reduce the number of individuals receiving benefits. If this change is enacted, TWC would have to modify its claims taking processes to determine if the last employer named by the claimant meets the new definitions outlined in statute.

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. Based on information provided from DOL, 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.

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 for a total of \$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 Alternate 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