

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 24, 2011

**TO:** Honorable John Davis, Chair, House Committee on Economic & Small Business Development

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

**IN RE: HB126** by Legler (Relating to required drug testing for applicants and recipients of unemployment compensation benefits.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB126, As Introduced: a negative impact of (\$47,008,740) through the biennium ending August 31, 2013.

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
2012	(\$17,290,476)
2013	(\$29,718,264)
2014	(\$29,520,186)
2015	(\$29,440,372)
2016	(\$29,103,734)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2012	(\$17,290,476)	28.0
2013	(\$29,718,264)	32.0
2014	(\$29,520,186)	32.0
2015	(\$29,440,372)	32.0
2016	(\$29,103,734)	32.0

Fiscal Analysis

The bill would amend the Labor Code relating to required drug testing for applicants and recipients of unemployment compensation benefits. The bill would amend the Texas Unemployment Compensation Act (TUCA) by adding a drug-testing eligibility requirement for applicants and recipients to receive unemployment compensation benefits. The Texas Workforce Commission (TWC) must adopt rules and implement a drug-testing program.

TWC estimates a reduction in benefit outlays from the Unemployment Compensation Trust Fund to include: \$52,334,975 in FY 2012, \$89,741,617 in FY 2013, \$88,906,944 in FY 2014, 89,828,819 FY 2015, and \$89,898,442 in FY 2016, totaling \$410,710,797 over the five year period.

The change in law made by this Act applies only to a claim for unemployment compensation benefits that is filed with the TWC on or after March 1, 2012. This bill would take effect September 1, 2011.

## Methodology

According to the analysis provided by TWC, it is assumed that all Unemployment Insurance (UI) claimants who are monetarily eligible to receive benefits will be directed to complete a drug test. The estimated reduction in outlays is based on individuals projected to receive a first payment of benefits but that would fail a drug test. For FY 2012 this analysis assumes the following information: total projected regular claims for FY 2012 is 438,649; the number of projected initial claims, determine the number of claimants who would receive a first-payment of benefits using a rate of 61.09 percent, the historical rate pay for the period 2007-09; using the failure rate of 3.6 percent, determine the number of projected first-paid claimants who would fail the drug test; total regular claims projected average weekly benefit amount is \$310; and total regular claims - projected duration is 17.5 weeks. For FY 2012:  $(438,649 \times .6109 \times .036 \times \$310 \times 17.5 \text{ weeks} = \$52,334,975)$ .

For the purposes of this analysis TWC estimates there will be additional administrative costs associated with the implementation of the bill. It is assumed that additional customer service representatives would be required to handle the anticipated added call volume due to claimant questions regarding the drug testing process and additional appeals staff would be required to implement the bill and handle additional appeals. TWC's call center staff anticipates an increase in telephone call volume related to this new initial and on-going eligibility requirement. Based upon past experience with new claimant requirements, TWC assumes 30 percent of monetarily eligible initial claimants would call TWC with questions and clarifications on drug-test procedures. TWC estimates an average of approximately 218,000 additional telephone inquiries per year. Agency staff also anticipate each call to last approximately 10 minutes. Based upon approved resource allocations methodologies, staff estimates the need for 21 additional Customer Service Representatives II (with a salary of \$36,000 each year).

TWC assumes that 20 percent of disqualified claimants would appeal the determination to the first hearing level and 20 percent of claimants filing a first level appeal would subsequently file an appeal to the Commission. In the first year of implementation for the first level of appeals, TWC estimates an additional 7 staff for the appeals process which would include: 1 Attorney IV (\$81,000 each year); 4 Program Specialists II (\$42,000 each year); and 2 Clerk IV (\$33,000). Both levels would require similar levels of staffing in future years. TWC analysis assumes 28 additional staff in FY 2012 and 32 additional staff in subsequent years.

TWC also assumes the following other operating expenses associated with this bill: nonrecurring expenses for new employee equipment (personal computer, workstation, chair, cabling, and phone lines) is estimated to be \$188,468 in FY 2012 and \$26,924 in FY 2013. A recurring amount of \$48,440 in 2012 and \$55,360 per each fiscal year from 2013-2016 is required for utilities, phone service, maintenance, and supplies. The total amount of expenses is \$236,908 in FY 2012, \$82,284 in FY 2013, and \$55,360 for each year FY 2014 – FY 2016. Recurring contracted services for drug testing and appeal-related costs (vendor provided expert) are estimated at \$14,592,153 in FY 2012; \$27,392,926 in FY 2013; \$27,224,460 in FY 2014; \$27,145,903 in FY 2015; and \$26,814,556 in FY 2016.

For FY 2012 TWC estimates \$1,062,000 (Salaries) + \$212,400 (Indirect Costs) + \$295,873 (Benefits) + \$14,829,061 Other Operating Expenses + \$891,142 (Technology) = \$17,290,476.

## Technology

TWC estimates that approximately 11,428 nonrecurring hours of technology modifications would need to be made to the UI Benefits System with an estimated cost of \$657,986 (average hourly cost of \$57.58). TWC also assumes additional recurring costs for Data Center Services associated with printing and mailing notifications to claimants regarding the drug testing requirement as well as the additional printing and mailing services generated by increased appeals. Those costs would total \$1,968,009 for the five-year period FY 2012 – FY 2016.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 320 Texas Workforce Commission

**LBB Staff:** JOB, AG, MW, NV