

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 20, 2011

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

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

IN RE: HB223 by Strama (Relating to unemployment compensation modernization.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB223, As Introduced: an impact of \$0 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	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$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
2012	(\$917,444)	10.0
2013	(\$907,395)	10.0
2014	(\$902,846)	10.0
2015	(\$904,387)	10.0
2016	(\$905,912)	10.0

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, 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.

The Texas Workforce Commission (TWC) has been notified by the U.S. Department of Labor (DOL) that the bill meets the requirements for Texas to receive incentive funds under the UI

modernization provisions.

In addition, an analysis made by TWC assumes a fiscal impact to three components based on the provisions of the bill: (1) Unemployment Compensation Trust Fund impact, (2) TWC agency administrative costs, and (3) employer costs/employer taxes.

According to the analysis by TWC, to pay the benefits authorized by this bill (alternate base period, part-time work, compelling family reasons), the estimated five-year impact (benefit outlay) to the trust fund would be an additional \$324,094,605. These costs are partially mitigated by trust fund savings generated by implementing “last employing unit,” totaling \$84,637,569 over the five-year period. The net fiscal impact over the five-year period is \$239,457,036 [$\$324,094,605$ (subtotal benefit outlays) less $\$84,637,569$ (savings) = $\$239,457,036$]

The projected Unemployment Compensation Trust Fund outlay for the alternate base period provision would be \$42,078,842 in fiscal year 2012, \$38,693,242 in fiscal year 2013, \$38,397,286 in fiscal year 2014, \$38,734,872 in fiscal year 2015, and \$38,767,905 in fiscal year 2016, for a five-year total of \$196,672,147.

The projected Unemployment Compensation Trust Fund outlay for the part-time provision would be \$20,419,060 in fiscal year 2012, \$19,920,120 in fiscal year 2013, \$20,398,640 in fiscal year 2014, \$21,086,550 in fiscal year 2015, and \$21,273,120 in fiscal year 2016, for a five-year total of \$103,097,490.

The projected Unemployment Compensation Trust Fund outlay for the compelling family reasons provisions would \$4,865,588 in fiscal year 2012, \$4,748,597 in fiscal year 2013, \$4,808,974 in fiscal year 2014, \$4,916,358 in fiscal year 2015, and \$4,985,451 in fiscal year 2016, for a five-year total of \$24,324,968.

According to the analysis by TWC, enactment of the bill would result in estimated savings to the Unemployment Compensation Trust Fund of \$18,076,100 in fiscal year 2012, \$16,662,532 in fiscal year 2013, \$16,509,696 in fiscal year 2014, \$16,688,425 in fiscal year 2015, and \$16,700,816 in fiscal year 2016, for a five-year total of \$84,637,569.

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 fiscal year 2012 and an average of \$336,125 each year during fiscal year 2013-16.

In addition, TWCs analysis assumes that adding an alternate base period could affect Texas’ employer taxes through increased benefit charges to support additional claimants. The state unemployment tax, which is based on past history and number of claimants could increase. All liable employers would be affected in cases where benefits paid could not be charged to a specific employer. TWC determines tax rates annually; the potential increase of a tax rate is not known until that time and contemplates several other factors.

According to the analysis provided by TWC, provisions of the bill would allow the state to be eligible for \$556 million in federal funding for the Alternative Base Period and for the additional funding for the part-time workers and the compelling family reasons.

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 technology costs and administrative costs (consisting of six Customer Service Representatives, three Program Specialists and one Clerk) to handle increased workload. The total impact would be: \$917,444 in fiscal year 2012, \$907,395 in fiscal year 2013, \$902,846 in fiscal year 2014, \$904,387 in fiscal year 2015 and \$905,912 in fiscal year 2016.

Technology

TWC's analysis assumes a recurring technology cost of \$362,969 in fiscal year 2012, \$352,920 in fiscal year 2013, \$348,371 in fiscal year 2014, \$349,912 in fiscal year 2015, and \$351,437 in fiscal year 2016, for a total of \$1,765,609 over the five-year period. Costs would consist of printing and mailing of wage claim request letters and appeals packages; data service center CPU usage for increase in mainframe Central Processing Unit (CPU) usage to process the increase in the number of claims; and allocated disk storage for increased 1Giga-byte (GB) each year for capturing additional wage claim requests.

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