

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 26, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB916 by Orr (Relating to the amount of a chargeback for unemployment compensation benefits paid to a person who is partially unemployed.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB916, As Introduced: a negative impact of (\$1,939,989) through the biennium ending August 31, 2015.

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
2014	(\$1,812,305)
2015	(\$127,684)
2016	(\$127,684)
2017	(\$127,684)
2018	(\$127,684)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	(\$1,812,305)	5.4
2015	(\$127,684)	0.0
2016	(\$127,684)	0.0
2017	(\$127,684)	0.0
2018	(\$127,684)	0.0

Fiscal Analysis

The bill would amend the Labor Code relating to the amount of a chargeback for unemployment compensation benefits paid to a person who is partially unemployed. The bill states that if a claimant is working for an employer and receives benefits for a week of partial unemployment, the employer is not charged for those benefits. If there has been a reduction in the claimant's hours with the employer, the employer's chargeback is calculated by dividing the number of hours the claimant worked during the week by the claimant's customary work hours, and then multiplying that amount by the amount that would be charged to the employer's account based on benefits paid if the claimant were totally unemployed.

This bill would take effect September 1, 2013.

Methodology

The Texas Workforce Commission (TWC) anticipates additional costs associated with the implementation of the bill in the amounts of \$1,812,305 in fiscal year 2014 and \$127,684 in fiscal years 2015-2018. In fiscal year 2014, TWC estimates the following: a non-recurring cost of \$554,621, including 5.4 additional staff to modify the Unemployment Compensation (UC) Benefit system; \$1.2 million for a voice recognition application; and \$57,684 related to data center services mailing costs. In fiscal years 2015-2018, TWC estimates \$70,000 would be needed each fiscal year for maintenance costs associated with the voice recognition application and \$57,684 would be needed each year for mailing costs.

TWC assumes a voice recognition system would be necessary to implement the provisions of the bill because the system would capture hourly wage records for individuals that are partially employed. This is something TWC's existing systems do not currently do. Regarding mailing costs, TWC assumes two pieces of claimant correspondence will be used in the verification and resolution process and that there would be an additional 102,000 mailings annually. According to TWC, there are approximately 12,750 "Reduction of Hours" claims filed annually, where the last employing unit is considered base period. Each of these claims would require "Verification of Hours Worked" documentation mailed quarterly. "Notice of Resolution" would also be mailed to the claimant on a quarterly basis. Printing, postage, and a courtesy return envelope are calculated at standardized rates, yielding a total five-year cost of \$288,420 (\$57,684, annually).

TWC reports having assessed the resources funded through the Unemployment Insurance State Administrative Grant and has determined that these Federal Funds would not be sufficient in amount to pay for costs necessary to implement the provisions of the bill. Based on information provided by TWC, this analysis assumes that costs for implementing the provisions of the bill would be funded with General Revenue funds instead of these Federal Funds.

According to information provided by TWC, it is assumed that there would be no impact to the Unemployment Compensation Fund which is located outside the Treasury. It is also assumed that implementing the provisions of the bill would neither expand nor limit eligibility for unemployment benefits. According to TWC, the bill would have the effect of transferring benefit charges from liable base period employers to all contributing employers through the replenishment component of the general state unemployment tax.

Technology

To implement the provisions of the bill, TWC estimates a total of \$843,041 for the five-year period. Costs are associated with changes to the UC Benefit System and changes to the data center services.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: UP, RB, MW, NV