

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**March 20, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB939** by Davis, John (Relating to repealing the employment and training investment assessment; changing the rate of certain unemployment taxes.), **As Introduced**

The unappropriated balances and revenues in General Revenue Account 5128 are used to certify the General Revenue budget. Transferring funds from General Revenue Account 5128 into the Unemployment Trust Fund Account (0938), which is not used to certify the General Revenue budget, would result in a cost for certification purposes. In 2014-15, the beginning balance of \$91.2 million and estimated revenue collections of \$84.4 million per year would no longer be available for certification. 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	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Employment/Trng Investment Assmnt - Revenue</i> 5128	Probable Revenue Gain/(Loss) from <i>Employment/Trng Investment Assmnt - Est Balance</i> 5128
2014	\$382,918	(\$382,918)	(\$84,445,000)	(\$91,180,000)
2015	\$0	\$0	(\$84,445,000)	\$0
2016	\$0	\$0	(\$84,445,000)	\$0
2017	\$0	\$0	(\$84,445,000)	\$0
2018	\$0	\$0	(\$84,445,000)	\$0

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from UNEMPLOYMENT TRST FND ACCT 938</b>
2014	\$147,094,082
2015	\$84,445,000
2016	\$84,445,000
2017	\$84,445,000
2018	\$84,445,000

## **Fiscal Analysis**

The bill would amend the Labor Code to repeal the employment and training assessment; change the rate of certain unemployment taxes; and abolish the General Revenue Account 5128-Employment and Training Investment Holding.

The bill would repeal provisions of the Labor Code which (1) impose an employment and training investment assessment on each employer of one-tenth of one percent of wages paid by the employer; (2) created GR Account 5128-Employment and Training Investment Holding into which revenue from the assessment is deposited; (3) relate to the Employment and Training Investment Assessment which created the Training Stabilization Fund to receive transfers from the General Revenue Account 5128 for transfer to the General Revenue Fund for the Skills Development Program; and (4) increase the replenishment tax rate by 0.1 percent. The bill would also increase the unemployment insurance contribution rate for the calendar year in which a person first becomes an employer by 0.1 percent.

This bill would, on the effective date, transfer not more than 15 percent of the unexpended balances of GR Account 5128-Employment and Training Investment Holding to the Texas Workforce Commission (TWC) for one-time expenses related to workforce development or to the administration of Subtitle A, Title 4 of the Labor Code, with the remaining funds credited to employers in proportion to employment and training assessments paid.

The changes to the unemployment insurance contribution rate and replenishment tax rate would take effect January 1, 2014.

This bill would take effect September 1, 2013.

## **Methodology**

Amounts in the table above reflect an analysis provided by the Comptroller of Public Accounts (CPA) and are based on estimates from the Comptroller's fiscal year 2014-15 Biennial Revenue Estimate. General Revenue Fund costs are based on information provided by TWC.

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Based on information provided by the CPA, the September 1, 2013, General Revenue Account 5128 balance is estimated to be \$91.2 million. The bill requires that no more than 15 percent (\$13.7 million) of that balance would be available to be transferred to TWC for one-time expenses related to workforce development or to the administration of Subtitle A, Title 4 of the Labor Code, with the remaining amount of no less than 85 percent (\$77.5 million) being credited to employers' accounts in the Unemployment Trust Fund Account 0938. Based on information provided by TWC, it is assumed that costs in fiscal year 2014 necessary to implement the provisions of the bill would include one-time modifications to the unemployment tax system in the amount of \$382,918. Accordingly, the difference of \$13.3 million would be transferred to the employers' accounts in the Unemployment Trust Fund Account 0938 instead of the General Revenue Fund. In addition, the General Revenue Account 5128 would then be abolished.

This analysis assumes that the 0.1 percent employment and training investment assessment would be repealed September 1, 2013, and that the 0.1 percent increase to the unemployment insurance contribution rate and replenishment tax rate would not take effect until January 1, 2014. Under provisions of the bill, there would be a four month period of a reduced effective tax rate and a corresponding decrease in associated unemployment compensation benefit revenue in fiscal year 2014 which is estimated to be approximately \$28.1 million. This analysis assumes that the decrease in revenue resulting from the repeal of the employment and training assessment would equal the increase in revenue resulting from increased unemployment insurance contribution and replenishment rates. This analysis also assumes that gains to the Unemployment Trust Fund Account (0938) would be realized each fiscal year in the amounts reflected in the table above. This analysis does not reflect transfers from the Training Stabilization Fund which was created in the Safe Keeping Trust company in the Treasury because that fund has a balance of \$0 according to the CPA.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 320 Texas Workforce Commission

**LBB Staff:** UP, RB, MW, NV