

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 14, 2013

TO: Honorable Bob Deuell, Chair, Senate Committee On Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB658 by Deuell (Relating to the imposition and collection of a penalty for fraudulently obtaining unemployment compensation benefits.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB658, Committee Report 1st House, Substituted: an impact of \$0 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	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from UNEMPLOYMENT TRST FND ACCT 938
2014	\$262,000
2015	\$511,000
2016	\$507,000
2017	\$511,000
2018	\$523,000

Fiscal Analysis

This bill would amend the Labor Code regarding offenses, penalties and sanctions under the Texas Unemployment Compensation Act, to impose a penalty for fraudulently obtaining unemployment compensation benefits. The bill would require the amount of the penalty to be fifteen percent of the amount of the benefits fraudulently obtained. Under provisions of the bill, any penalties collected would be deposited to the credit of the Unemployment Trust Fund Account 0938 (in the Federal Treasury). The bill would make a conforming change to Chapter 203 of the Labor Code. The changes in law made by this bill would apply only to a final determination that a person fraudulently obtained benefits made on or after October 21, 2013.

This bill would take effect September 1, 2013.

Methodology

The Texas Workforce Commission (TWC) reports that in fiscal year 2012, \$3.6 million in fraudulently obtained unemployment compensation benefits were recovered. The revenue gains in the table above were estimated by the Comptroller of Public Accounts (CPA) and assume that recoveries will grow or decline at the rate of change of the number of unemployed in Texas. For the purposes of this analysis, adjustments were also made for growth in the average wage rate. Since changes in law made by this bill would only apply to determinations made on or after October 21, 2013, the CPA's analysis assumes 50 percent of fiscal year 2014 recoveries would be subject to the penalty. Estimates for subsequent years assume total recoveries would increase by the full 15 percent of the penalty.

TWC reports there would be federal consequences for failure to implement the penalty as stated in the provisions of this bill. A state's failure to implement the penalty would be grounds for initiating conformity proceedings to deny certifying Texas for grants for the administration of the state Unemployment Compensation law until such time as the law conformed to the requirements of Section 303(a)(11), Social Security Act.

Based on the analysis of the TWC, it is assumed that duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

TWC estimates that it will take approximately 6,058 hours in one-time technology personnel costs of \$363,719 to make programming changes to the existing Unemployment Insurance Benefits automated system. According to TWC, these technology costs could be absorbed using existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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