

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 23, 2017**

**TO:** Honorable René Oliveira, Chair, House Committee on Business & Industry

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

**IN RE:** **HB3890** by Neave (Relating to a self-employment assistance program for unemployed individuals.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for HB 3890, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.**

There is a significant fiscal impact related to unemployment compensation benefits from the federal Unemployment Compensation Trust Fund 938 and an one-time fiscal impact from the Texas Workforce Commission Federal Funds Account 5026 for technology updates and system modifications. No significant fiscal impact is anticipated related to unemployment compensation benefits paid to former state employees.

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<br>to General Revenue Related Funds |
|-------------|---|
| 2018        | \$0   |
| 2019        | \$0   |
| 2020        | \$0   |
| 2021        | \$0   |
| 2022        | \$0   |

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

| Fiscal Year | Probable Revenue Gain<br>from<br><i>UNEMPLOYMENT<br/>TRST FND ACCT<br/>938</i> | Probable (Cost) from<br><i>UNEMPLOYMENT<br/>TRST FND ACCT<br/>938</i> | Probable (Cost) from<br><i>Workforce<br/>Commission Federal<br/>Acct<br/>5026</i> | Change in Number of<br>State Employees<br>from FY 2017 |
|-------------|--|---|---|--|
| 2018        | \$25,552,388   | (\$25,552,388)  | (\$877,704)   | 7.5  |
| 2019        | \$26,174,632   | (\$26,174,632)  | \$0   | 0.0  |
| 2020        | \$26,872,745   | (\$26,872,745)  | \$0   | 0.0  |
| 2021        | \$27,484,375   | (\$27,484,375)  | \$0   | 0.0  |
| 2022        | \$28,033,190   | (\$28,033,190)  | \$0   | 0.0  |

## **Fiscal Analysis**

The bill would amend the Labor Code relating to a self-employment assistance program for unemployed individuals.

The bill requires the Texas Workforce Commission (TWC) to establish and administer a self-employment assistance program to provide financial assistance to an eligible individual seeking to start a business. The bill allows an individual participating in the program to receive an allowance in lieu of and equal to the individual's unemployment compensation benefit amount.

The bill requires TWC to establish eligibility criteria and weekly activity requirements for an individual participating in the program. In addition, the bill limits participation by requiring the number of individuals receiving self-employment allowances not exceed five percent of the number of individuals receiving regular unemployment compensation benefits.

The bill would take effect September 1, 2017.

## **Methodology**

Based on information provided by TWC, it is estimated that participation in the Self-Employment Assistance (SEA) program would result in additional allowance payments from the federal Unemployment Compensation (UC) Trust Fund totaling a five-year impact of \$134,117,330. The agency assumes a 1.85 percent participant rate in the program and that claimants starting a self-employment business will collect unemployment benefits for a longer period than individuals who are looking for full-time employment, resulting in the UC Trust Fund being impacted for a longer duration. The table above provides a revenue gain to the UC Trust Fund as employers pay into the fund for the increase in benefits provided as well as a revenue cost to the UC Trust Fund as benefits are paid out of the fund to employees.

This analysis assumes the provisions of the bill could impact state agencies who pay unemployment compensation benefits for former state employees through the Reimbursements to the Unemployment Compensation Benefit Account (RUCBA). However, the fiscal impact is not anticipated to be significant and is not included in the tables provided above.

Based on the LBB's analysis of TWC, it is estimated that implementing the provisions of the bill would result in the need for 7.5 Full-Time-Equivalent (FTE) positions to handle the one-time workload impact for technology updates and system modifications. This analysis estimates that these FTEs would require one-time costs of \$541,214 in salaries, \$8,118 in payroll contribution costs, and \$190,075 in related support and benefit costs in fiscal year 2018 from the federal Unemployment Insurance grant within the TWC Federal Funds Account 5026. Additional program costs include one-time costs of \$36,000 for new staff workstations, \$81,074 for indirect administration costs, \$17,903 for other related operating expenses, and \$3,320 for computer leases. It is assumed that any additional ongoing costs associated with the implementation and administration of the program could be absorbed in the current federal Unemployment Insurance grant.

## **Technology**

This analysis estimates one-time technology costs of \$877,704 in fiscal year 2018 from TWC Federal Funds Account 5026 related to technology updates and system modifications required to implement the provisions of the bill.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 303 Facilities Commission, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 529 Health and Human Services Commission, 601 Department of Transportation, 696 Department of Criminal Justice, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 783 University of Houston System Administration, 802 Parks and Wildlife Department

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