

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 9, 2021

TO: Honorable Angie Chen Button, Chair, House Committee on International Relations & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB7 by Button (Relating to the computation of the replenishment ratio used to determine an employer's unemployment compensation tax rate.), **As Introduced**

No significant fiscal implication to the State is anticipated.

However, the Unemployment Trust Fund Account, held outside the State Treasury, would incur an estimated deficit of \$5.4 billion for tax years 2021 and 2022.

The bill would amend Chapter 204 of the Labor Code, relating to the replenishment rate used to determine an employer's unemployment contribution tax rate. The bill would prohibit the Texas Workforce Commission (TWC), in the calculation of the replenishment tax rate, from including certain benefits paid as a result of an order or proclamation by the Governor declaring at least 50 percent of the counties in this state to be in a state of disaster or emergency. No significant fiscal impact to the State is anticipated.

The Unemployment Trust Fund Account, outside the State Treasury, would see a fiscal impact from this bill. According to TWC, for tax year 2021, approximately \$4.3 billion in COVID-19 related claims would be removed from the calculation of the General Tax and Replenishment Tax calculations. For tax year 2022, approximately \$1.1 billion would be removed from the calculation of the General Tax and Replenishment Tax calculations. Without a cash infusion to repay these COVID-19 related claims TWC could issue revenue bonds to finance the trust fund deficit over a longer period of time. As the timing and severity of any future declared states of disaster or emergency are unknown, the fiscal impact after 2022 cannot be estimated.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

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

LBB Staff: JMc, SZ, MB, DFR, SD