

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

TO: Honorable Chris Turner, Chair, House Committee on Business & Industry

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3620 by Turner, Chris (relating to unemployment compensation benefits.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3620, Committee Report 1st House, Substituted : an impact of \$0 through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Workforce Commission Federal Acct 5026	Probable Savings/(Cost) from UNEMPLOYMENT TRST FND ACCT 938	Change in Number of State Employees from FY 2021
2022	(\$506,852)	(\$78,876,566)	3.7
2023	\$0	(\$66,311,138)	0.0
2024	\$0	(\$63,153,987)	0.0
2025	\$0	(\$61,050,937)	0.0
2026	\$0	(\$60,233,061)	0.0

Fiscal Analysis

The bill would make a number of changes to different portions of the Texas Unemployment Compensation Act (TUCA).

The bill would require that 25 percent of an individual's maximum weekly benefit amount (MWBA) is used for the computation of partial benefits.

The bill would add to the list of conditions under which work would not be considered suitable work conditions

relating to (a) whether the work offered violates federal, state, or local protocols relating to the spread of infectious diseases, including COVID 19, and (b) whether the work offered presents an unreasonable risk of exposure to infectious diseases, including COVID-19.

The bill would remove the waiting period for unemployment benefit eligibility.

The bill would require TWC to provide information to claimants concerning the Patient Protection and Affordable Care Act.

The bill would require TWC to provide annual written notice to employers regarding the Shared Work Program, including a description of available benefits and the requirements for a shared work plan. The bill would raise the shared work plan work hours reduction cap to 60 percent.

Methodology

According to the Texas Workforce Commission (TWC) and an informal review of the bill by the U. S. Department of Labor (DOL), the committee substitute version of the bill causes no conformity issues.

Maximum Weekly Benefit Amount

According to TWC, the agency will need 2.2 full-time equivalent (FTE) positions to provide programming changes needed to reflect the new method of computing partial benefits under the bill's provisions related to the maximum weekly benefit amount calculation. This results in a one-time cost of \$302,561 to the Workforce Commission Federal Funds account in fiscal year 2022.

TWC reports that implementation of the bill's provisions related to the maximum weekly benefit amount calculation will result in an estimated increased cost to the Unemployment Trust Fund Account of approximately \$29,380,351 for the five year period from fiscal year 2022 through fiscal year 2026.

Suitable Work Conditions

It is assumed that the costs associated with the bill's provisions relating to the determination of whether work is suitable for an individual for the purpose of determining the individual's unemployment compensation benefit eligibility could be absorbed using existing resources. TWC anticipates this impact would be limited to training and the updating of manuals. TWC anticipates some programming changes, screens for staff computers, and web systems updates will be needed. TWC reports these costs are estimated as minimal and can be absorbed through existing resources.

Based on information provided by TWC, this analysis assumes a minimal increase in the number of claims paid due to enactment of the bill. TWC anticipates that the conditions necessary to trigger the provisions of the bill will be rare in nature. According to TWC, the total anticipated five-year impact to the Unemployment Trust Fund Account is estimated as \$4,560,793.

Note: Fiscal year 2020 data, including the impacts of the COVID-19 pandemic, are not considered in this estimate. According to TWC, should the effects of COVID-19 continue into fiscal year 2022, the actual impact of this bill, if enacted, may be substantially higher.

Waiting Week

The bill would increase the payment of unemployment benefits by removing the requirement that claimants must be totally or partially unemployed for a minimum of seven consecutive days, known as the waiting week. To implement the provisions of the bill, TWC anticipates requiring 1.5 FTE costs associated with programming the TWC computer system to remove the initial holding of payment for the waiting week. This would result in a one-time cost of \$204,291 from the Workforce Commission Federal Funds Account in fiscal year 2022.

Unlike the introduced version of the bill which created certain circumstances during which the waiting week would be waived for a period of time, the committee substitute repeals the waiting week for all claimants, which results in a greater impact to the Unemployment Trust Fund. Based on information provided by TWC this analysis assumes the waiting week would not be paid to a claimant until that claimant had been paid two times their weekly benefit amount (WBA) and returned to full-time work or exhausted their unemployment benefits. Thus, the waiting week would not be paid to those claimants who stop filing payment requests for

unemployment benefits before reaching their exhaustion date and who do not inform TWC that they have returned to full-time work. Based on historical data, TWC determined that one in five claimants (20%) did not receive a waiting week benefit payment.

According to TWC, multiplying the number of projected annual initial claims for each fiscal year by the projected average weekly benefit amount, then multiplying that result by the 20% discussed above results in an additional anticipated unemployment insurance payments of \$295,684,545 over the next five fiscal years from the Unemployment Trust Fund.

Patient Protection and Affordable Care Act (ACA) Form

According to new information provided by TWC, providing the new ACA form to each initial claim applicant would result in a minimal cost that can be absorbed using existing resources. According to the DOL, any costs related to providing claimants information about the ACA cannot be charged to the state's Unemployment Compensation Administrative Grant.

Shared Work Program

It is assumed that the costs associated with the requirements regarding an employee's normal weekly hours of work under the shared work unemployment compensation program could be absorbed using existing resources.

Technology

TWC anticipates technology costs of \$1,961 for personal laptops and Office 365 associated with the FTEs identified above.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JMc, SZ, MB, DFR