LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 23, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB1950** by Creighton (Relating to the eligibility of certain individuals for unemployment benefits and the validity of certain claims for unemployment benefits submitted to the Texas Workforce Commission.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1950, As Introduced: a negative impact of ($54,871,856) through the biennium ending August 31, 2027.

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***
2026	($29,986,300)
2027	($24,885,556)
2028	($24,885,556)
2029	($24,885,556)
2030	($24,885,556)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from** ***General Revenue Fund*** **1**	**Probable Savings from** ***UNEMPLOYMENT TRST FND ACCT*** **938**	*Change in Number of State Employees from FY 2025*
2026	($29,986,300)	$148,183,521	278.5
2027	($24,885,556)	$222,275,282	262.3
2028	($24,885,556)	$222,275,282	262.3
2029	($24,885,556)	$222,275,282	262.3
2030	($24,885,556)	$222,275,282	262.3

Fiscal Analysis

The bill would amend the Labor Code to modify the eligibility requirements for unemployment benefits and increase the validity checks on unemployment benefit claims submitted to the Texas Workforce Commission (TWC).

The bill would add a requirement for a minimum of five work search activities per week, specify the types of activities that can be counted as a work search activity, increase the required number of calendar quarters with benefit wage credits from two to three, adds criteria that can be used as a reason for disqualification from benefits, and increase the amount of required earned wages between benefit years from six times the weekly benefit to 37 times.

The bill would establish procedures for determining claim validity and require TWC to cross-check claims against numerous databases to detect fraudulent claims, increases penalties for fraudulent claims, and mandates the creation of a claimant identity authentication mechanism.

The bill would take effect January 1, 2026.

Methodology

Under current law, individuals who file for Unemployment Insurance (UI) benefits must be actively seeking work, have two calendar quarters of benefit wage credit and have earned wages of an amount equal to not less than six times the individuals benefit's amount.

Based on the analysis of TWC, changes under the bill's provisions to require claimants to have wages in three quarters instead of two to establish a payable claim and that claimants filing claims in successive years earn 36 times their new weekly benefit payment rather than six times under current law would result in an estimated annual savings of $222.3 million to the Unemployment Compensation Fund (Unemployment Trust Fund) due to estimated reductions in benefits payments from the account. Savings for fiscal year 2026 are estimated to be a prorated $148.2 million due to the bill taking effect on January 1, 2026

According to TWC, the changes to the work search criteria and the addition of a new validity process would increase the UI benefits claims workload to determine if individuals are eligible to receive benefits under the new requirements. Based on the analysis of the TWC, to meet this increased workload this estimate assumes the agency would require an additional 278.5 full time equivalents (FTE) positions in fiscal year 2026 and 262.3 FTEs each subsequent year.

These positions include 130.9 Customer Service Representatives to address an increase in the number of calls by claimants associated with completing the claim identity and/or monetary requirements processes and for anticipated increases in time to verify what counts as an acceptable activity under the provisions of the bill. For example, currently UI staff conduct random audits of work search logs that result in 1,300 logs needing to have one log activity verified by staff each week. Under the provisions of the bill, 100% of work search activities listed on the log would need to be verified which would be an additional four activities investigated per log per week. Over a 50 week period, this would result in the need for 260,000 additional verifications under the provisions of the bill.

According to TWC, the agency anticipates receiving an average of 900,000 UI claims annually from fiscal years 2026 through 2030. Under current law, approximately 30 percent of these claims, or 270,000, would be sent for identity verification. Under the provisions of the bill, 100 percent of these claims would be sent for identity verification with an estimated 63,000, or 10 percent, of these claims each fiscal year being appealed following a denial of benefits. To address this increase in the number of appeals, this estimate assumes an additional 42.4 Hearing Officer II positions, 49.8 Administrative Assistant II positions, and 32.2 Attorney II positions would be needed for caseload increases that includes a hearing and case processing for both lower and upper-level appeals.

Finally, an additional 17.0 information technology support staff would be needed to implement modifications to the unemployment insurance mainframe and online Unemployment Benefits system application to alter existing requirements for work search activities, increase the minimum benefits wage credits requirement, raising the minimum earnings requirement between benefits periods, establishing a new authentication mechanism for claimant identity verification and cross-checking claims against multiple state and federal databases.

Technology

TWC anticipates a technology cost of $2,520,000 per year for vendor costs relating to identifying verification of claimants.

Local Government Impact

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

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JMc, RStu, GDZ, JBel, CMA