

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 17, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2421 by Chavez (Relating to the use of an employer assessment to fund the skills development program and authorizing the Texas Workforce Commission to develop new job incentive programs.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2421, As Engrossed: an impact of \$0 through the biennium ending August 31, 2007.

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
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>UNEMPLOYMT COMP CLEARANCE 936</i>	Probable Revenue Gain/ (Loss) from <i>New Other - Holding Fund 936</i>	Probable Revenue Gain/ (Loss) from <i>New Other - Skills Development Economic Stabilization Fund</i>
2006	(\$61,596,000)	\$61,596,000	\$0
2007	(\$74,082,000)	\$74,082,000	\$61,596,000
2008	(\$75,644,000)	\$75,644,000	\$74,082,000
2009	(\$77,118,000)	\$77,115,000	\$75,644,000
2010	(\$78,682,000)	\$78,682,000	\$0

Fiscal Analysis

The provisions of the bill would amend the Labor Code to create two new funds and transfer funds to the Skills Development Fund.

Effective January 1, 2006, the fund would be financed by a 0.1 percent Skills Development Assessment (SDA) on wages paid by employers participating in the state's unemployment insurance program. The initial contribution rate and replenishment tax components of the unemployment insurance tax would be reduced by 0.1 percent.

Revenues from the SDA would be deposited into the Holding Fund, a new special trust fund in the custody of the Comptroller separate and apart from all public money or funds of the state. If, on September 1 of each year, the Texas Workforce Commission (TWC) determined that the amount in the Unemployment Compensation Fund 0938 would exceed 100 percent of its computed floor, TWC shall transfer to the skills development fund an amount from the Holding Fund not to exceed the lesser of the amount appropriated by the Legislature to the Skills Development Fund in that year or 80 percent of the amount in the Holding Fund.

According to TWC, the amount collected in fiscal year 2010 will not be available for expenditure in fiscal year 2010 because the estimated amount in the Unemployment Insurance Trust Fund will not be above the floor.

The provisions of the bill also allow use of money in the General Revenue Account 5069 for Skills Development, which is estimated to have a \$10.2 million balance.

The provisions would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Therefore, the fund, account, or revenue dedication included would be subject to funds consolidation review by the current Legislature.

The bill would take effect September 1, 2005, except section 7 which would take effect January 1, 2006.

Methodology

According to TWC, it is assumed that revenue deposited in the Holding Fund would not be available for expenditure prior to fiscal year 2007; however revenue would begin being collected in fiscal year 2006. The \$10.2 million balance in the General Revenue Account 5069 is not included but may be used only for the Skills Development Fund.

Based on the provision requiring TWC to transfer an amount from the new Holding Fund to the Skills Development Fund not to exceed the lesser of the amount appropriated by the Legislature to the Skills Development Fund in that year or 80 percent of the amount in the holding fund, it is estimated that the lesser amount would be zero dollars that would be transferred to the Skills Development Fund. The basis for this assumption is that the Legislature has not made an appropriation to the Skills Development Fund because it does not exist due to the funds consolidation process. Therefore, it is assumed that all of the funds would be transferred to the Skills Development Economic Stabilization Fund.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, CL, JRO, MW, DE