

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 28, 2005

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

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 Texas Enterprise Fund and the skills development program and authorizing the Texas Workforce Commission to develop new job incentive programs.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2421, Conference Committee Report: 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 UNEMPLOYMT COMP CLEARANCE 936	Probable Revenue Gain/(Loss) from New Other - Holding Fund	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND - Skills Development Fund 1	Probable Savings/ (Cost) from GENERAL REVENUE FUND - Skills Development Fund 1
2006	(\$61,596,000)	\$61,596,000	\$0	\$0
2007	(\$74,082,000)	\$74,082,000	\$20,326,680	(\$20,326,680)
2008	(\$75,644,000)	\$75,644,000	\$24,447,060	(\$24,447,060)
2009	(\$77,115,000)	\$77,115,000	\$18,911,000	(\$18,911,000)
2010	(\$78,682,000)	\$78,682,000	\$0	\$0

Fiscal Year	Probable Revenue Gain/(Loss) from Texas Enterprise Fund 5107	Probable Savings/ (Cost) from Texas Enterprise Fund 5107
2006	\$0	\$0
2007	\$41,269,320	(\$41,269,320)
2008	\$49,634,940	(\$49,634,940)
2009	\$56,733,000	(\$56,733,000)
2010	\$0	\$0

Fiscal Analysis

The provisions of the bill would amend the Labor Code, which establishes and describes the operation and funding of the Texas Enterprise Fund (TEF) and Skills Development Fund (SDF).

Effective January 1, 2006, the program would be financed by a 0.1 percent Employment Training Investment Assessment (ETIA) 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 ETIA 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, the first \$160 million deposited in the Holding Fund in any state fiscal biennium would be transferred to TEF (67 percent), except that the amount transferred may not exceed the amount appropriated by the legislature to TEF in that biennium and the SDF (33 percent), except that the amount transferred may not exceed the amount appropriated by the legislature to SDF in that biennium.

According to the Comptroller, reference to the SDF constitutes a reference to the General Revenue Fund because of funds consolidation. From the first \$160 million deposited in the holding fund in any state fiscal biennium after September 1, 2007 (\$75,644,000), 75 percent would be transferred to the TEF and 25 percent to the SDF in any state fiscal biennium. Once the \$160 million limitation is reached, the remaining balances in the Holding Fund would be transferred to the new Training Stabilization Fund. The bill would also require that amounts transferred from the Training Stabilization Fund (TSF) not exceed amounts appropriated to the TEF and SDF in the fiscal year in which the transfer is made. Transfers from the TSF shall be transferred with 67 percent to TEF and 33 percent SDF.

If TWC determined that the amount in Fund 0938 would fall below 100 percent of its floor, an amount sufficient to raise the Fund 0938 balance to its floor would be transferred from 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 immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution, except Section 8, which takes effect January 1, 2006. If the bill does not receive the vote necessary for immediate effect, the bill would take effect September 1, 2005.

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 in the table above but could only be available for the Skills Development program.

For the purposes of this analysis, it is assumed that the first \$160 million deposited in the Holding Fund in the fiscal biennium (\$61,596,000 in fiscal year 2006 and \$174,082,000 in fiscal year 2007) would be available to be transferred starting in fiscal year 2007 (\$41.3 million available for fiscal year

2007 based on 67 percent of the \$61,596,000 in revenue collected in fiscal year 2006) would be transferred to the Texas Enterprise Fund for grants by the Office of the Governor and (\$20.3 million in fiscal year 2007 based on 33 percent of the \$61,596,000 revenue collected in fiscal year 2006) to the Skills Development Fund in grants by TWC in fiscal year 2007.

Since the Holding Fund deposits are not estimated to exceed the \$160 million limitation in any state fiscal biennium, the Training Stabilization Fund would not start accruing a balance based on the estimated revenue. Therefore, funds would not be available for appropriation within the ratio and limitation authorized for expenditures by the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission, 301 Office of the Governor, 304 Comptroller of Public Accounts

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