**LEGISLATIVE BUDGET BOARD**
**Austin, Texas**

# FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

**March 29, 2005**

**TO:** Honorable Allan Ritter, Chair, House Committee on Economic Development

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

**IN RE:** **HB2421** by Chavez (Relating to the establishment, operation, and funding of the Texas jobs program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2421, As Introduced: 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 *New Other - Holding Fund* | Probable Savings/(Cost) from *New Other - Texas Jobs Fund* | Change in Number of State Employees from FY 2005 |
|---|---|---|---|
| 2006 | $72,465,000 | $0 | 0.0 |
| 2007 | $74,082,000 | ($74,082,000) | 23.0 |
| 2008 | $75,644,000 | ($75,644,000) | 26.8 |
| 2009 | $77,115,000 | ($77,115,000) | 26.8 |
| 2010 | $78,682,000 | ($78,682,000) | 26.8 |

## Fiscal Analysis

The provisions of the bill would amend the Labor Code to create a Texas Jobs Program to be administered by the Division of Workforce Development in the Texas Workforce Commission (TWC). The purpose of the program would be to create employment opportunities and to increase the job skills of the existing workforce in rural and medium-sized communities in the state. At least 60 percent of the of program grants would be allocated to existing rural and medium-sized community employers, and at least 20 percent of these grants would be allocated to employers relocating to small or medium-sized communities in the state.

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. 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, TWC determined the amount in the Unemployment Compensation Fund 0938 would exceed 100 percent of its floor computed under Section 204.061 of the Labor Code, the amount in the Holding Fund would be transferred to a new Texas Jobs Fund. If TWC determined that the amount in Fund 0938 would fall below 100 percent of its floor, an amount sufficient to raise the balance to its floor would be transferred from the Holding Fund. Any remaining balance in the Holding Fund would then be transferred to the Texas Jobs Fund.

This bill would take effect September 1, 2005.

## Methodology

For the purposes of this analysis, it is assumed that costs, including grants awarded, would be based on all new revenues collected and transferred to the new Texas Jobs Fund and that all available funds would be expended for the program each year starting in fiscal year 2007. It is assumed that revenue from the Holding Fund would not be available for expenditure prior to that time; however, revenue would begin to be collected in fiscal year 2006.

Based on information provided by the Comptroller, potential revenue gains from the 0.1 percent ETIA were estimated based on the existing unemployment insurance tax base (taxable wages for the purpose of Unemployment Insurance or the first $9,000 of employee wages per year) and Comptroller forecasts of the statewide private sector employment based on the Fall 2004 projections from the State of Texas Econometric Model (STEM).

According to TWC, it is assumed that administrative costs would not include the costs of collecting the ETIA. This cost would have to be reimbursed pursuant to the cost allocation methodology agreed upon by the Texas Workforce Commission (TWC) and the U.S. Department of Labor. TWC estimates that the cost of collecting the ETIA would total $2,292,848 for fiscal year 2006, and $2,751,417 in subsequent years. Amounts noted from the ETIA per fiscal year are all net of these reimbursable costs.

The Comptroller estimates the ETIA of 0.1 percent of taxable wages, effective September 1, 2005, would result in estimated revenue $72,465,000 in fiscal year 2006, $74,082,000 in fiscal year 2007, $75,644,000 in fiscal year 2008, $77,115,000 in fiscal year 2009, and $78,682,000 in fiscal year 2010.

It is estimated that costs (net of the costs of collecting and processing the revenue) would include $72,286,896 in grants for fiscal year 2007, $73,540,457 in grants for fiscal year 2008, $75,011,457 in grants for fiscal year 2009, and $76,578,457 in grants for fiscal year 2010.

Of the total costs, TWC estimates program costs for 23 FTEs (10 FTEs Program Specialist I, 14 FTEs Program Specialist III, and 1.2 FTEs Administrative Assistant II) in fiscal year 2006 that total $1,795,104 and 26.8 FTEs (11.6 FTE Program Specialist 1, 14 FTE Program Specialist III, and 1.2 FTE Administrative Assistant II) totaling $2,103,543 in subsequent years.

The Comptroller indicates that any costs associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

## Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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