

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 30, 2015

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB208 by Campbell (relating to the continuation and functions of the Texas Workforce Commission; affecting the rates and imposition of certain fees and assessments.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB208, Committee Report 1st House, Substituted: a negative impact of (\$7,831,604) through the biennium ending August 31, 2017.

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
2016	\$0
2017	(\$7,831,604)
2018	(\$7,283,327)
2019	(\$7,283,327)
2020	(\$7,283,327)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Savings from <i>General Revenue Fund</i> 1	Probable Savings from <i>Federal Funds</i> 555	Probable Revenue Gain from <i>Unempl Comp Sp Adm</i> <i>Acct</i> 165
2016	\$0	\$0	\$0	\$0
2017	(\$8,003,804)	\$172,200	\$2,085,619	\$0
2018	(\$8,003,804)	\$720,477	\$4,188,076	\$510,376
2019	(\$8,003,804)	\$720,477	\$4,188,076	\$427,055
2020	(\$8,003,804)	\$720,477	\$4,188,076	\$363,109

Fiscal Year	Probable Revenue Gain from <i>Employment/Trng Investment Assmnt</i> 5128	Probable Revenue Gain from <i>UNEMPLOYMENT TRST FND ACCT</i> 938	Change in Number of State Employees from FY 2015
2016	\$0	\$0	0.0
2017	\$0	\$47,742,354	(6.0)
2018	\$48,137	\$38,542,318	(51.0)
2019	\$43,322	\$31,959,881	(51.0)
2020	\$40,466	\$27,699,077	(51.0)

Fiscal Analysis

The bill would amend the Education Code, Government Code, Human Resources Code, Labor Code, and Property Code relating to the continuation and functions of the Texas Workforce Commission (TWC); affecting the rates and imposition of certain fees and assessments.

The bill would require TWC to include information regarding any formal enforcement action taken by the commission against a career school or college on its current directory of schools. Provisions of the bill would remove the schedule of fees for certain career schools and college fees from statute, and would authorize the agency to set the fees by rule.

The bill would allow TWC to receive criminal history record information from the Department of Public Safety (DPS) for certain individuals associated with the administration of vocational rehabilitation services and other programs under Subtitle C, Title 4 of the Labor Code.

The bill would transfer the powers and duties under Chapters 91, 111, and 117 of the Human Resources Code from the Department of Assistive and Rehabilitative Services (DARS) to TWC. The bill would amend the Texas Labor Code by adding Title 4, Subtitle C regarding the transfer of the Vocational Rehabilitation (VR), Disability Determination Services, Business Enterprises of Texas, Independent Living Services, and the Criss Cole Rehabilitation Center programs from DARS to TWC on September 1, 2016 subject to federal approval of the transfer. The bill requires TWC to create a designated state unit for VR services to comply with federal regulations.

The bill also requires TWC to integrate the two unique vocational rehabilitation programs into a single program no later than October 1, 2017. In addition, the bill requires TWC to integrate the unique Independent Living Services program into a single program by September 1, 2017. By this time, integrated program services would be provided solely at centers for independent living, except in areas where a center is not willing or able to provide services, in which case TWC may contract for the services.

The bill transfers the powers and duties of the Human Rights Commission to the TWC three-member commission and streamlines the Civil Rights Division functions.

The bill would require the agency to develop risk-assessment criteria in determining the circumstances of providing additional reviews of the personnel policies and procedures of state agencies, and to set the related reimbursement rates at a level necessary to recover such expenses.

In addition, the bill authorizes TWC to participate in the federal Treasury Offset Program; requires TWC to collect and report on information regarding employment discrimination complaints; adds reporting requirements for TWC related to the effectiveness of their subsidized child care programs; and eliminates statutes enabling the Civil Rights Division's review of Fire Department tests, Rehabilitation Council of Texas, and the Human Rights Commission.

Except as otherwise specified, this bill would take effect September 1, 2015.

Methodology

According to TWC, DPS, and the Texas Department of Criminal Justice all of the duties and responsibilities associated with implementing the provisions of the bill relating to career schools and colleges, criminal history records, the Texas Rising Star program, the Civil Rights Division, and the federal Treasury Offset Program could be accomplished by utilizing existing agency resources.

The costs relating to the transfer of the Vocational Rehabilitation, Disability Determination Services, Business Enterprises of Texas, Independent Living Services, and the Criss Cole Rehabilitation Center programs from DARS to TWC totals approximately \$435.0 million in each fiscal year beginning in fiscal year 2017. However, as it is assumed that any additional costs to TWC would correspond to equivalent cost savings at DARS, the net effect of this transfer is \$0 and 0.0 FTEs and is not shown in the tables above.

According to information provided by DARS, the agency would have an additional cost of \$1.9 million annually related to the loss of federal VR grant funds. As the federal grant does not allow these funds to transfer to any agency that is not administering the VR program, DARS would require General Revenue for Deaf and Hard of Hearing programs that had previously been funded with these federal grant dollars.

According to the Health and Human Services Commission (HHSC), the transfer of programs from DARS would impact the provision of administrative and enterprise support services performed by the agency. The five health and human services agencies currently use the approved cost allocation plans to ensure maximization of Federal Funds for these functions. The five agencies pay HHSC to perform these functions. DARS' allocated share is approximately four percent, or \$1,268,034 in General Revenue, \$17,639,421 million in All Funds, of the total cost allocation plan in fiscal year 2015. Assuming that associated regional lease costs for programs that will be transferred to TWC are removed from this total and that the remainder would be reallocated to the other health and human services agencies, there is a projected cost of \$6,103,804 in General Revenue for DARS to discontinue paying HHSC oversight costs. This analysis assumes the total cost allocation plan remains the same as in fiscal year 2015 and HHSC will be required to redistribute the costs across the other enterprise agencies. A reduction in the total cost allocation plan would result in reduced General Revenue cost.

According to TWC, there would be cost savings of \$2,257,819 and 6.0 FTEs in fiscal year 2017 and \$4,502,419 and 27.0 FTEs each subsequent fiscal year related to the consolidation of the two unique VR programs and the integration of regional VR staff into TWC's local workforce development centers. Similarly, there would be cost savings of \$406,134 and 24.0 FTEs annually starting in fiscal year 2018 related to the consolidation of the unique Independent Living Services programs. This analysis assumes that appropriations of \$11.6 million per fiscal year for direct staff services for the independent living services programs would continue in the form of grants to centers for independent living. Savings from associated benefits appropriated elsewhere in the budget are based on an average salary and other personnel costs per caseworker of \$49,950 per fiscal year. Savings also accrue from a reduction of the agency 1.5 percent payroll contribution to the Employees Retirement System.

Based on information provided by TWC, it is estimated that participation in the federal Treasury Offset Program would result in additional revenue to the state of \$1,300,540 in General Revenue-

Dedicated Fund 165, \$131,925 in General Revenue-Dedicated Fund 5128, and \$145,943,630 in Other Fund 938 over the next five years. Estimates of fiscal impact assume a 12 percent collection rate from participation in the federal Treasury Offset Program on projected uncollected and covered contributions to unemployment compensation debt. The agency anticipates that any costs associated with the implementation of the program can be absorbed in the current federal Unemployment Insurance grant.

This analysis assumes that all costs related to the implementation of the bill are compared to current agency structures and costs. Analysis does not take into consideration any pending legislation related to appropriations or sunset recommendations.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 405 Department of Public Safety, 538 Assistive and Rehabilitative Services, Department of, 539 Aging and Disability Services, Department of, 696 Department of Criminal Justice, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 529 Health and Human Services Commission

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