

SUBJECT: Adjusting calculations for unemployment insurance benefits

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 4 ayes — Ritter, B. Cook, Anchia, Kolkhorst
0 nays
3 absent — Deshotel, McCall, Seaman

WITNESSES: For — (*Registered, but did not testify:* Bill Hammond, Texas Association of Business)
Against — None
On — Steve Riley, Texas Workforce Commission

BACKGROUND: The Texas Workforce Commission (TWC) collects unemployment insurance taxes for deposit into the unemployment compensation trust fund to pay unemployment benefits. The amount of a claimant's benefits depends on the amount of qualifying wages paid during a base period. However, the rate of benefits paid may not be more than the maximum weekly benefit amount or less than the minimum weekly benefit amount as computed by TWC.

Labor Code, sec. 27.002 sets the maximum weekly benefit amount at 47.6 percent of the average weekly wage in covered employment in Texas and the minimum weekly benefit amount at 7.6 percent of the average weekly wage. Wages paid in covered employment amount to all the wages paid to all covered employees, including cash bonuses, the cash value of meals and lodgings when supplied, and tips and other gratuities.

If a minimum or maximum benefit amount as computed by TWC is not a multiple of one dollar, TWC will increase the amount up to the next multiple of one dollar. There currently is no cap on the amount a maximum or minimum weekly benefit amount may increase from year to year. TWC annually determines the average weekly wage and the maximum and minimum benefits based on the annual average weekly wage for the preceding year.

Under Labor Code, sec. 207.007, a person claiming benefits in a proceeding before the commission or a court may be represented by counsel or another authorized agent. This counsel may not charge or receive a fee for these services greater than an amount approved by the commission.

DIGEST:

HB 2273 would amend Labor Code, sec. 207.002 so that if a minimum or maximum weekly benefit as computed by TWC included cents and the amount fell between 1 cent and 49 cents inclusive, the commission would round the benefit down to the nearest multiple of a dollar. If the minimum or maximum weekly benefit included cents and the amount fell between 50 cents and 99 cents inclusive, the commission would round up to the nearest multiple of a dollar. An increase in the maximum weekly benefit amount could not exceed \$14 in any year, and an increase in the minimum weekly benefit amount could not exceed \$1 in any year.

The bill also would remove TWC's authority to set a maximum fee that counsel representing a claimant in a proceeding could charge for services. It also would remove a reference to federal law that deals with international trade agreements.

The bill would take effect September 1, 2005.

**SUPPORTERS
SAY:**

HB 2273 would bring TWC's process of calculating unemployment benefits in line with the standard business practice of rounding numbers up or down to the nearest dollar. According to the Legislative Budget Board (LBB), this would result in savings of more than \$2 million per year to the state.

The current method of calculating benefits allows maximum and minimum weekly benefits to fluctuate a great deal, which can affect the viability of the state's unemployment compensation fund. The limit to the increase of the maximum unemployment benefit would provide insurance against large unexpected jumps in benefit amounts, which ordinarily would force TWC to require employers to contribute more to the fund. As a result, some businesses might be required to pay less in premiums under HB 2273.

The bill also would remove TWC's authority for approving attorney's fees, a little-used provision that unnecessarily regulates private matters. It

also would clean up the statute by removing an outdated reference to federal law.

**OPPONENTS
SAY:**

The caps proposed by this bill further would reduce already low unemployment insurance payouts to many needy claimants. Even small benefit changes can make a difference during extended economic downturns that occur during periods of inflation, for example.

NOTES:

According to LBB estimates, this bill would result in savings to the unemployment trust fund of approximately \$2.3 million per year from fiscal 2006 through fiscal 2010.