

SUBJECT: Withholding first week of unemployment compensation payments

COMMITTEE: Economic Development — favorable, without amendment

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

SENATE VOTE: On final passage, April 25 — 20-10, (Barrientos, Ellis, Gallegos, Hinojosa, Lucio, Madla, Shapleigh, West, Whitmire, Zaffirini)

WITNESSES: No public hearing.

BACKGROUND: Unemployment insurance is an employer-paid program that provides temporary financial benefits to unemployed people based on their previous earnings while they are looking for other work. To establish a payable claim, individuals must be unemployed through no fault of their own, must have received enough wages to meet the requirements, and must meet ongoing work search and work availability requirements.

A person is eligible to receive benefits if the person has been totally or partially unemployed for a waiting period of at least seven consecutive days. Under Labor Code, sec. 207.021(c), a person is eligible to receive an unemployment benefit payment for the waiting period when that person has been paid full weekly benefits for at least three weeks.

DIGEST: SB 788 would repeal Labor Code, sec. 207.021(c).

The bill would take effect September 1, 2005, and would apply to eligibility for unemployment compensation benefits based on a claim that was filed on or after that date.

SUPPORTERS SAY: SB 788 would remove a disincentive in current law for a person collecting unemployment benefits to return to work as soon as possible. Under the current system, payment for the first week of benefits, known as the waiting period, is held by TWC until the individual has been paid three

weeks of full benefits. This practice discourages people from returning to work during the fourth week after a claim was filed because a person who remains unemployed will receive three weeks of worth of benefits when filing for the third and fourth weeks of benefits. Such a person might even be inclined to put off starting a new job or looking for work until he received that extra unemployment insurance payment .

Twenty-nine other states consider the waiting week to be a grace period, and thus workers do not receive benefits that week but receive a check as the last benefit payment before their pool of benefits is exhausted. SB 788 would align Texas with the majority of other states on this matter.

The bill would protect the state's unemployment benefit trust fund because benefit payouts would be reduced. Estimated annual savings to the unemployment trust fund account would be nearly \$52 million.

SB 788 would not change the amount of unemployment benefits to which a worker is entitled. It simply would change the time when the unemployed worker could receive it. Instead of receiving a waiting-week payment four weeks after the initial filing, these persons would receive that payment as their last unemployment insurance payment at the end of the period for which they qualified for benefits — usually 26 weeks after initial filing. The bill would help motivate claimants to look for work and return to work more quickly.

**OPPONENTS
SAY:**

The only workers who might ever collect the waiting-week period of benefits under this bill would be those who used up all their unemployment benefits. This means that a significant number of deserving workers never would receive payments they had earned for their first week of unemployment. Workers are entitled to these benefits, and this bill unnecessarily would make life harder for those unfortunate enough to lose their jobs through no fault of their own. It would be wrong to keep money in a state bank account that rightfully belongs to jobless workers who have earned it and need the money for food and rent.

It defies logic to believe that someone would defer finding a job in order to receive an extra unemployment insurance payment in the fourth week. A typical week's unemployment payment is a fraction of the amount a worker could earn through steady employment. The notion that large numbers of jobless workers are somehow gaming the unemployment insurance system is a myth.

NOTES:

The fiscal note projects that the bill would result in annual savings of nearly \$52 million to the unemployment insurance trust fund because some 207,000 claimants would not exhaust all of their benefits and thus would not be paid for the waiting week.