

Discussion Paper Authorizing Use of the Special Administration Fund

Background

The Special Administration Fund consists of all interest and penalties collected under the Texas Unemployment Compensation Act (TUCA). Section 203.202 of the TUCA describes the allowable uses of the Special Administration Fund which includes:

- (1) to pay the cost of reimbursing the benefit account in the compensation fund for benefits paid to former employees of this state that are based on service for this state, and the cost of construction and purchase of buildings and land necessary for that administration;
- (2) in the administration of Chapters 51, 61, and 62;
- (3) for payment of interest on advances from the federal trust fund;
- (4) as a revolving fund to cover expenditures that are necessary and proper under this subtitle and for which federal funds have been requested but not received, subject to the charging of the expenditures against the federal funds when received;
- (5) to refund a penalty as provided by Section 203.203; and
- (6) subject to the provisions of Chapter 2107, Government Code, to pay persons who contract with the commission to collect delinquent unemployment taxes, penalties, and interest owed under this subtitle.

The TUCA also allows the Commission to authorize other allowable uses of the Special Administration Fund.

- (c) The commission by a resolution entered in its minutes may authorize to be charged against the special administration fund any expenditure the commission considers proper in the interest of good administration of this subtitle if the resolution states that no other funds are available for the expenditure.

The current cash balance of the Special Administration Fund was approximately \$67 million dollars as of August 13, 2024.

Balance	2021	2022	2023	2024
Beginning Fund Balance	23,948,346	32,730,345	38,416,939	58,582,003
Net Change	8,781,999	5,618,770	20,165,064	9,143,369
Ending Fund Balance	32,730,345	38,416,939	58,582,003	67,725,372

Discussion Paper Authorizing Use of the Special Administration Fund

Issue

The Unemployment Insurance (UI) program has been historically underfunded for the administration of the UI program by the federal government. Since 2000, the number of UI taxable accounts or employers has grown by 70% and the Civilian Labor Force has grown by 45%; however, the base UI grant has only grown by 33% during the same period.

During the COVID-19 pandemic, TWC experience increased UI claims, appeals, collections, and fraud prevention activities. The U.S. Department of Labor provided additional funding during this period, but UI administrative funding has since returned to pre-pandemic levels. However, UI administrative costs have not reduced to pre-pandemic levels, specifically with fraud prevention, cybersecurity and system support costs.

UI Administrative Funding

MOF	2019	2020	2021	2022	2023	2024
Coronavirus Relief Fund	-	121,685,566	121,233,177	31,764,513	13,750,936	1,411,298
Federal Fund	131,043,438	244,480,728	217,453,527	152,347,940	161,918,973	152,871,998
Total	131,043,438	366,166,294	338,686,704	184,112,453	175,669,909	154,283,296

Decision

On September 3, 2024, the Commission approved the submission of the items listed below as part of its Exceptional Items for TWC's 2026-2027 LAR. Staff are now seeking Commission approval to authorize the use of these activities under Section 203.202(c) of the TUCA.

Project/Activity	2026	2027	Total
UI DCS Mainframe	5,441,351	5,533,870	10,975,221
UI Info Data Exchange (SIDES)	2,613,576	-	2,613,576
UI Cybersecurity	2,240,307	922,101	3,162,408
UI Fraud Detect & Deterrence	1,640,348	1,624,192	3,264,540
UI Network Modernization	1,452,262	-	1,452,262
Total	13,387,844	8,080,163	21,468,007