



**OFFICE OF THE GOVERNOR**

February 24, 2012

RICK PERRY  
GOVERNOR

Ms. Hilda L. Solis  
Secretary  
U.S. Department of Labor (DOL)  
200 Constitution Avenue, NW  
Washington, D.C. 20210

Dear Secretary Solis:

On behalf of the State of Texas, please find enclosed a waiver request in accordance with §2102 of HR 3630, Temporary Payroll Tax Cut Continuation Act of 2011. The Act allows DOL to:

- waive the provisions of the Social Security Act §303(a)(5) and the Federal Unemployment Tax Act §3304(a)(4), which require a state to use all money withdrawn from its unemployment compensation (UC) fund solely for the payment of UC benefits, exclusive of administration expenses; and
- enter into agreements with up to 10 states that will develop demonstration projects that expedite the reemployment of individuals receiving UC benefits without increasing the net cost to the state's unemployment trust fund account.

With DOL approval, Texas will withdraw up to \$100 million over a three-year period to fund subsidized wage reimbursements to employers through a reemployment demonstration project to expedite the reemployment of individuals who have established a benefit year and are otherwise eligible to claim UC under Texas law.

We appreciate the opportunity to submit this waiver request and look forward to receiving your approval. If you have questions or require additional information, please contact Reagan Miller, Deputy Division Director of the Workforce Policy and Service Delivery Branch of the Texas Workforce Commission, at (512) 936-3563.

Sincerely,

Rick Perry  
Governor

RP:bop

Enclosure

cc: Ms. Reagan Miller

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EXEC. SECRETARIAT  
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**STATE OF TEXAS  
UNEMPLOYMENT INSURANCE  
DEMONSTRATION PROJECT WAIVER REQUEST**

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**BACKGROUND**

8 The Social Security Act (SSA) §303(a)(5) and the Federal Unemployment Tax Act  
9 (FUTA) §3304(a)(4) require a state to use all money withdrawn from its unemployment  
10 compensation (UC) fund solely for the payment of unemployment compensation,  
11 exclusive of administration expenses. Congress has granted much-needed flexibility with  
12 regard to uses of the states' UC fund by allowing the U.S. Department of Labor (DOL) to  
13 enter into agreements with up to 10 states to conduct reemployment demonstration  
14 projects. DOL may waive the provisions of SSA and FUTA for states to develop  
15 demonstration projects that expedite the reemployment of individuals receiving UC  
16 benefits without increasing the net cost to the state's account in the unemployment trust  
17 fund.

18 Authorized by the 81st Texas Legislature (Rider 31, Article 7, Texas Workforce  
19 Commission, General Appropriations Act), the Texas Workforce Commission (TWC)  
20 created the Texas Back to Work Initiative (TBTW), a subsidized employment program.  
21 TBTW targets first-time UC claimants who earned \$15 an hour or less in their prior  
22 employment, while providing an incentive of up to \$2,000 to private sector employers  
23 that hire eligible claimants. To qualify for the \$2,000 TBTW subsidy, an employer is  
24 required to provide the claimant with at least 30 hours of work per week and is required  
25 to retain the claimant for at least 120 days. TWC, in conjunction with the Local  
26 Workforce Development Boards (Boards), implemented TBTW in March 2010. Since  
27 the program began, over 4,300 employers have hired claimants through TBTW and over  
28 24,000 job placements have been made. DOL recognized TBTW with the  
29 Unemployment Insurance Innovation Award for Reemployment in 2010.

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**PROPOSED DEMONSTRATION PROJECT**

32 TWC will use \$100 million over the three-year demonstration period from the state's UC  
33 fund, described in Texas Labor Code §203.021, et seq., for a project that provides an  
34 incentive to hire claimants through subsidized wage reimbursements to employers.  
35 Claimants will be offered jobs that qualify as "suitable employment" consistent with UC  
36 regulations and Texas Labor Code §207.008. This demonstration will expand the  
37 eligibility to all claimants receiving state UC benefits. Employers that hire eligible  
38 claimants may earn a wage subsidy not to exceed \$2,000, with the understanding that  
39 they will provide claimants with the knowledge essential to the full and adequate  
40 performance of the job. Recognizing that new employees need company-specific  
41 training, the wage subsidy will offset the costs of training and supervising new  
42 employees. Before receiving the full subsidy, employers must retain the participant for  
43 120 days at 30 hours or more per week. TWC expects to conduct the project for the full  
44 three years allowed under the waiver. This reemployment demonstration project will be  
45 conducted under the authority of Texas Labor Code, Chapter 314.  
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1 **STATE AUTHORITY TO UNDERTAKE REEMPLOYMENT**  
2 **DEMONSTRATION PROJECT AND WAIVER OF APPLICABLE SOCIAL**  
3 **SECURITY ADMINISTRATION AND FEDERAL UNEMPLOYMENT TAX ACT**  
4 **PROVISIONS**

5 FUTA §3304(a)(4) and SSA §303(a)(5) restrict the expenditure of all money withdrawn  
6 from a state unemployment fund to:

- 7 • payment of UC, exclusive of administration expenses;
- 8 • refunds of sums erroneously paid into such fund; and
- 9 • refunds paid in accordance with the provisions of FUTA §3305(b).

10  
11 Because of this restriction, Texas requests a waiver of FUTA §3304(a)(4) and SSA  
12 §303(a)(5) to the extent that Texas may withdraw up to \$100 million over a three-year  
13 period to fund subsidized wage reimbursements to employers through this reemployment  
14 demonstration project to expedite the reemployment of individuals who have established  
15 a benefit year and are otherwise eligible to claim UC under Texas law.

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17 **GOALS AND EXPECTED PROGRAMMATIC OUTCOMES OF WAIVER**

18 Based on TWC's experience running a successful wage subsidy program with TBTW, we  
19 expect this project will also successfully expedite the reemployment of UC claimants, as  
20 well as provide them with the work experience necessary for long-term employment.

21  
22 **PROCESS FOR EVALUATING PROGRAM IMPACT**

23 TWC will compare claimants placed through the demonstration project to those who  
24 were eligible for the project but not placed through it. The comparison will use statistical  
25 techniques such as multiple regression to account for similarities and differences in  
26 demographics, geography, education, and work experience in order to measure the impact  
27 of the program on reemployment outcomes.

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29 **ASSURANCES**

30 The state assures that it will operate this project for a period of at least one calendar year.

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32 The state assures that this project will not result in any increased net costs to the state's  
33 unemployment trust fund account. Based on our experience with TBTW, TWC is  
34 confident that we can manage costs through high-quality placements.

35  
36 The state assures that it will provide DOL with any reports on the demonstration project,  
37 upon request from the Secretary of Labor.

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39 The state assures that employment gained through this project will meet the state's  
40 suitable work requirement and the requirements of Texas Labor Code §207.008 and the  
41 similar requirements of FUTA §3304(a)(5).