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Security Act §303(a)(5) and the Federal Unemployment Tax Act §3304(a)(4), which require a state to use all money withdrawn from its unemployment compensation (UC) fund solely for the payment of UC benefits, exclusive of administration expenses; and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Security Act (SSA) §303(a)(5) and the Federal Unemployment Tax Act (FUTA) §3304(a)(4) require a state to use all money withdrawn from its unemployment compensation (UC) fund solely for the payment of unemployment compensation, exclusive of administration expenses.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

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

PROPOSED DEMONSTRATION PROJECT
TWC will use $100 million over the three-year demonstration period from the state’s UC fund, described in Texas Labor Code §203.021, et seq., for a project that provides an incentive to hire claimants through subsidized wage reimbursements to employers. Claimants will be offered jobs that qualify as “suitable employment” consistent with UC regulations and Texas Labor Code §207.008. This demonstration will expand the eligibility to all claimants receiving state UC benefits. Employers that hire eligible claimants may earn a wage subsidy not to exceed $2,000, with the understanding that they will provide claimants with the knowledge essential to the full and adequate performance of the job. Recognizing that new employees need company-specific training, the wage subsidy will offset the costs of training and supervising new employees. Before receiving the full subsidy, employers must retain the participant for 120 days at 30 hours or more per week. TWC expects to conduct the project for the full three years allowed under the waiver. This reemployment demonstration project will be conducted under the authority of Texas Labor Code, Chapter 314.
STATE AUTHORITY TO UNDERTAKE REEMPLOYMENT
DEMONSTRATION PROJECT AND WAIVER OF APPLICABLE SOCIAL
SECURITY ADMINISTRATION AND FEDERAL UNEMPLOYMENT TAX ACT
PROVISIONS
FUTA §3304(a)(4) and SSA §303(a)(5) restrict the expenditure of all money withdrawn
from a state unemployment fund to:
• payment of UC, exclusive of administration expenses;
• refunds of sums erroneously paid into such fund; and
• refunds paid in accordance with the provisions of FUTA §3305(b).

Because of this restriction, Texas requests a waiver of FUTA §3304(a)(4) and SSA
§303(a)(5) to the extent that Texas may withdraw up to $100 million over a three-year
period to fund subsidized wage reimbursements to employers through this 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.

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

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

ASSURANCES
The state assures that it will operate this project for a period of at least one calendar year.
The state assures that this project will not result in any increased net costs to the state’s
unemployment trust fund account. Based on our experience with TBTW, TWC is
certain that we can manage costs through high-quality placements.
The state assures that it will provide DOL with any reports on the demonstration project,
upon request from the Secretary of Labor.
The state assures that employment gained through this project will meet the state’s
suitable work requirement and the requirements of Texas Labor Code §207.008 and the
similar requirements of FUTA §3304(a)(5).