

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4500-02
Bill No.: HCS for HB 2041
Subject: Crimes and Punishment; Employment Security; Labor and Industrial Relations
 Department
Type: Original
Date: February 25, 2008

Bill Summary: This proposal changes the law relating to the disclosure of confidential unemployment information.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
UC Administration Funds	\$0 or (\$34,000,000)	\$0 or (\$34,000,000)	\$0 or (\$34,000,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (\$34,000,000)	\$0 or (\$34,000,000)	\$0 or (\$34,000,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume the proposed legislation will establish criminal penalties for the unauthorized disclosure of confidential unemployment insurance (UI) information. This proposal is the result of a federal mandate. 20 CFR Part 63 requires the Department to comply with heightened confidentiality requirements pertaining to unemployment benefit information by no later than October 2008. Federal funding to Missouri will be jeopardized if the proposed legislation is not enacted by jeopardizing the certification of the state's UI program. If the program fails to be certified, Missouri would lose \$34 million in federal funds the state receives to administer the UI program.

The Federal Unemployment Tax Act (FUTA) imposes a 6.2% payroll tax on employers. Most employers never actually pay the total 6.2% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4% against the payroll tax if the state UI law is approved by the Secretary of Labor. Not enacting the proposed legislation may cause Missouri's program to fail certification. As a result, Missouri employers could lose approximately \$977 million annually in FUTA credit.

The Department is planning to absorb any cost incurred to implement the proposed legislation with current federal funding.

Officials at the **Office of the Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Department of Social Service's Family Services Division** assume there is no accurate way to predict if this division will be impacted due to the loss of Employment Security information.

Officials at the **Department of Social Service's Child Support Division** and the **Office of the Secretary of State** assume that there is no fiscal impact from this proposal.

Oversight assumes it is unclear whether the state would lose its unemployment insurance federal funds. Oversight has shown the potential loss as a range of \$0 or \$34,000,000.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
UC ADMINISTRATION FUNDS			
<u>Loss - DOLIR</u>			
unemployment insurance payments	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>
ESTIMATED NET EFFECT ON UC ADMINISTRATION FUNDS	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Business owners could possibly lose payroll tax credits estimated at \$997 million annually.

FISCAL DESCRIPTION

This bill authorizes the Division of Employment Security within the Department of Labor and Industrial Relations to establish rules governing the confidentiality and disclosure of information obtained from any employing unit or individual regarding unemployment records required by the division in the administration of the Employment Security Law. A state or federal official or agency is allowed to receive disclosures as required by federal law. It will be at the division's discretion for any other party to receive disclosures as authorized by state or federal law.

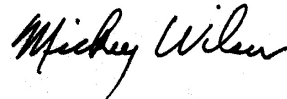
Any person who intentionally discloses or otherwise fails to protect confidential information in violation of this provision will be guilty of a class D felony.

This legislation is federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 4500-02
Bill No. HCS for HB 2041
Page 5 of 5
February 25, 2008

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Labor and Industrial Relations
Office of the Attorney General
Department of Social Services



Mickey Wilson, CPA
Director
February 25, 2008