

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4500-04
Bill No.: SCS for HCS for HB 2041
Subject: Crimes and Punishment; Employment Security; Labor and Industrial Relations
 Department
Type: Original
Date: May 2, 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
General Revenue	\$0	\$0	\$0
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 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
UC Administration Funds	Unknown less than \$100,000 to \$0 or (\$34,000,000)	Unknown less than \$100,000 to \$0 or (\$34,000,000)	Unknown less than \$100,000 to \$0 or (\$34,000,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	Unknown less than \$100,000 to \$0 or (\$34,000,000)	Unknown less than \$100,000 to \$0 or (\$34,000,000)	Unknown less than \$100,000 to \$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 (DOLIR)** assume sections 288.040 and 288.042 would not impact state revenue. Section 288.070 would result in a small unknown savings to the state in processing mailing charges for notices no longer required. Section 288.070.11 would reduce printing and mailing costs for the Division of Employment Security. These savings would be to the UC Administration Fund and is Unknown but expected to be less than \$100,000.

DOLIR assumes 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.

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

Officials at the **Department of Economic Development (DED)** assume that the proposed changes to Section 288.040(6) RSMo, would make the current duties performed by DED statutory. DED assumes that since the statutory language does not expressly state that Department of Labor and Industrial Relations will continue to fund the program that DED would have an unfunded mandate and be required to pay the total program costs. DOLIR currently pays \$647,307 in transaction costs and \$202,328 in equipment and maintenance costs for this program for a total of \$849,635.

Since the program is currently funded by the Department of Labor and Industrial Relations and

this bill does not specify a funding source **Oversight** is showing the savings to the Department of Labor and Industrial Relations as \$0 to 849,635 and a cost to the Department of Economic Development of \$0 to (849,635). The net effect on state revenue would be zero.

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** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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
GENERAL REVENUE			
<u>Savings</u> - Dept. of Labor	\$0 or \$849,635	\$0 or \$849,635	\$0 or \$849,635
<u>Cost</u> - Dept. of Economic Development	<u>\$0 or</u> <u>(\$849,635)</u>	<u>\$0 or</u> <u>(\$849,635)</u>	<u>\$0 or</u> <u>(\$849,635)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
UC ADMINISTRATION FUNDS			
<u>Savings</u> - Dept. of Labor reduction of mailing costs	Unknown less than \$100,000	Unknown less than \$100,000	Unknown less than \$100,000
<u>Loss</u> - Dept. of Labor 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>Unknown less</u> <u>than \$100,000</u> <u>to \$0 or</u> <u>(\$34,000,000)</u>	<u>Unknown less</u> <u>than \$100,000</u> <u>to \$0 or</u> <u>(\$34,000,000)</u>	<u>Unknown less</u> <u>than \$100,000</u> <u>to \$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 act modifies provisions relating to unemployment compensation.

This act requires individuals to make a claim within 14 days from the last day of the week being claimed and report to an employment office to participate in a reemployment assessment and reemployment services in order to qualify for unemployment benefits unless these requirements are waived for good cause.

A Missouri resident who is a member of a reserve unit outside of Missouri may qualify as a war on terror veteran for the purposes of receiving veterans' unemployment compensation benefits.

Overpayment for veterans' unemployment compensation benefits shall be recovered through billing, setoffs against tax refunds, intercepts of lottery winnings, and other collection efforts authorized under Missouri law for the recovery of overpayment of regular unemployment compensation benefits.

The Department of Employment Security is exempted from notifying contributing base period employers of an initial claim if the employer paid the individual \$400 or less in the individual's base period.

An employer is considered an interested party for the purposes of a separation issue when the claimant was separated from the employer during a week claimed.

The act stipulates when an employer is an interested party to a refusal of work when the refusal occurs other than at a time when the initial claim is filed or a claim is renewed. An employer is an interested party in an ability to work or an availability to work issue that arises during any week the claimant claims benefits.

The act allows the Department of Employment Security to deliver notices electronically upon a claimant's or employer's request.

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

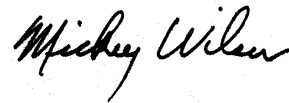
FISCAL DESCRIPTION (continued)

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.

SOURCES OF INFORMATION

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



Mickey Wilson, CPA
Director
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