

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4942-01  
Bill No.: SB 1110  
Subject: Employment Security; Federal-State Relations; Labor and Industrial Relations  
Department  
Type: Original  
Date: February 22, 2008

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Bill Summary: This proposal prevents the disclosure of unemployment records.

**FISCAL SUMMARY**

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

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

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

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

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

- 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).

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

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## 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 **Department of Social Service's Family Services Division** assume there is no way to accurately determine the impact to these programs due to the loss of Employment Security information.

Officials at the **Office of the Attorney General** and 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

ASSUMPTION (continued)

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 as \$0 or \$34,000,000.

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

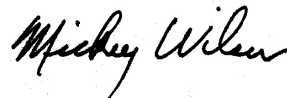
FISCAL DESCRIPTION

This act prevents the disclosure of certain unemployment information except for disclosure required by federal or state law. Persons who intentionally disclose or fail to protect the confidentiality of the information is guilty of a Class D felony. The Division of Employment Security may promulgate rules governing the confidentiality and disclosure of the records.

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  
Office of the Attorney General  
Department of Labor and Industrial Relations  
Office of the State Treasurer



Mickey Wilson, CPA  
Director  
February 22, 2008