

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1976-02  
Bill No.: Perfected HCS for HB 1075  
Subject: Employees - Employers; Employment Security; Taxation and Revenue - General  
Type: Original  
Date: April 22, 2009

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Bill Summary: This proposal eliminates the four hundred fifty million dollar cap on financial agreements the Board of Unemployment Fund Financing may enter into with a lender.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<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>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Special Employment Security Fund	Up to \$166,390	Up to \$166,390	Up to \$166,390
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Up to \$166,390</b>	<b>Up to \$166,390</b>	<b>Up to \$166,390</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Unemployment Compensation Trust Fund	Up to \$3,561,004	Up to \$3,561,004	Up to \$3,561,004
Unemployment Compensation Administration Fund	\$95,310	\$95,310	\$95,310
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>Up to \$3,656,314</b>	<b>Up to \$3,656,314</b>	<b>Up to \$3,656,314</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</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 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal will help compel individuals who previously claimed unemployment benefits fraudulently to pay the penalty due to the Division of Employment Security (DES). It will improve the balance of the Unemployment Compensation Trust Fund, from which benefits are paid. Holding an individual ineligible for new benefits until their prior penalty is paid imposes more of a consequence on the individual for fraudulently claiming benefits. This may reduce the number of fraudulent claims.

Overpaid benefits collected from claimants, as well as unemployment taxes paid by employers, are deposited into the trust fund, which can only be used to pay benefits. Penalties collected from claimants are deposited in the Special Employment Security fund, which can be used for administrative expenditures by DOLIR. In most cases, claimants owe both overpaid benefits plus penalty. As of December 31, 2008, there was \$58,824,453 in outstanding overpayments and \$12,314,791 in penalties owed. During calendar year 2007, a total of \$12,253,338 in overpayments was recovered. During fiscal year 2008, DES received \$2,990,690 in penalty income.

As of July 14, 2008, benefits were being paid from the trust fund to 1,011 claimants who owed penalties totaling \$166,390. If these claimants were denied benefits, assuming an average weekly benefit amount of \$253 with a 13.9 average weekly duration, the benefit payout saved per claimant would be \$3,522. If all 1,011 claimants were denied benefits, the potential savings to the Trust Fund would be \$3,561,005 annually. Assuming all 1,011 claimants paid the penalty owed, the Special Employment Security Fund would see additional revenue of approximately \$166,390.

DOLIR assumes the provisions requiring an employer to file their quarterly and wage report electronically in a format prescribed by the division would allow DES to process wage information for workers who are potential claimants more accurately and in less time. By having more workers' wage records submitted electronically, DES will also save on data entry costs. For the quarter ending December 31, 2008, it is estimated 2,145 employers fall within the 50 to 250 employee range with 203,576 wage items at an estimated cost of \$0.035 per wage item. The data entry costs for one quarter is estimated to be \$7,125. Annually this would be \$28,500.

DOLIR assumes the provisions that allow DES to be able to serve assessments in a manner similar to that used by the Department of Revenue would save data entry costs. It is estimated that DES issues 25,500 certificates of assessments annually. The current cost to mail an

ASSUMPTION (continued)

assessment is \$5.32. The cost to mail an assessment under the proposed law change is \$2.70. The estimated annual savings is \$66,810.

Officials at DOLIR assume none of the others provisions of this bill have impact on the Department.

Officials at the **Department of Revenue, Office of Administration, Administrative Hearing Commission, Office of the Governor** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

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

Amendment 1

Officials at the **Department of Labor and Industrial Relations** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>SPECIAL EMPLOYMENT SECURITY FUND</b>			
<u>Revenue- DOLIR</u> penalties collected	<u>Unknown up to</u> <u>\$166,390</u>	<u>Unknown up to</u> <u>\$166,390</u>	<u>Unknown up to</u> <u>\$166,390</u>
<b>ESTIMATED NET EFFECT ON SPECIAL EMPLOYMENT SECURITY FUND</b>	<b><u>Unknown up to</u></b> <b><u>\$166,390</u></b>	<b><u>Unknown up to</u></b> <b><u>\$166,390</u></b>	<b><u>Unknown up to</u></b> <b><u>\$166,390</u></b>
<b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Savings - DOLIR</u> benefits denied	<u>Unknown up to</u> <u>\$3,561,004</u>	<u>Unknown up to</u> <u>\$3,561,004</u>	<u>Unknown up to</u> <u>\$3,561,004</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND</b>	<b><u>Unknown up to</u></b> <b><u>\$3,561,004</u></b>	<b><u>Unknown up to</u></b> <b><u>\$3,561,004</u></b>	<b><u>Unknown up to</u></b> <b><u>\$3,561,004</u></b>
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>			
<u>Savings - DOLIR</u> data entry	\$28,500	\$28,500	\$28,500
<u>Savings - DOLIR</u> mailing assessments	<u>\$66,810</u>	<u>\$66,810</u>	<u>\$66,810</u>
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>	<b><u>\$95,310</u></b>	<b><u>\$95,310</u></b>	<b><u>\$95,310</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Businesses would be required to submit federal 1099 miscellaneous forms to the Department of Labor and Industrial Relations. More businesses would be required to submit quarterly wage information to the Department.

FISCAL DESCRIPTION

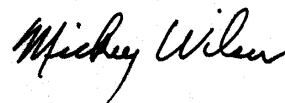
This bill specifies that a claimant for unemployment compensation is ineligible to receive benefits or waiting week credit if he or she has an outstanding penalty that was assessed for a previous overpayment of benefits.

This bill removes the \$450 million cap on the total amount of outstanding obligations the Board of Unemployment Fund Financing may incur when providing funds for the payment of unemployment benefits or maintaining an adequate fund balance in the Unemployment Compensation Fund. The bill contains an emergency clause.

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

SOURCES OF INFORMATION

Administrative Hearing Commission  
Office of the State Treasurer  
Department of Labor and Industrial Relations  
Office of the Attorney General  
Office of the Governor  
Office of Administration  
Department of Revenue



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