

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2121-05
Bill No.: HCS for SCS for SB 495
Subject: Employment Security; Labor and Industrial Relations Department
Type: Original
Date: May 5, 2009

Bill Summary: This proposal modifies various provisions relating to unemployment security.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Special Employment Security Fund	Unknown up to \$166,390	Unknown up to \$166,390	Unknown up to \$166,390
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown up to \$166,390	Unknown up to \$166,390	Unknown up to \$166,390

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Unemployment Compensation Trust Fund	Unknown up to \$3,627,814	Unknown up to \$3,627,814	Unknown up to \$3,627,814
Total Estimated Net Effect on <u>All</u> Federal Funds	Unknown up to \$3,627,814	Unknown up to \$3,627,814	Unknown up to \$3,627,814

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

FISCAL ANALYSIS

ASSUMPTION

Section 288.040

In response to similar legislation filed this year, HB 916, 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.

Section 288.050

In response to similar legislation filed this year, HB 961, officials from the **Department of Labor and Industrial Relations** assume this proposal would restate current practice with respect to employee discharges for certain job-related misconduct issues. Since claimants are currently subject to this disqualification there would be no difference in claims paid. Therefore, the proposal would have no fiscal impact to their organization.

ASSUMPTION (continued)

Sections 288.160 and 288.170

In response to similar legislation filed this year, HB 929, officials at the **Department of Labor and Industrial Relations** assume this proposed language would allow DOLIR to be able to serve assessments more cost effectively and file certificates of assessments in a manner similar to that used by the Department of Revenue. If an employer or an unemployment benefit claimant owes DOLIR a debt, then DOLIR could serve the assessment by certified or registered mail on the debtor and file a certificate of assessment with the recorder of deeds in the county of residence. It is estimated that DOLIR issues 25,500 certificates of assessments annually. The current cost to mail an 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.

Sections 288.250 and 288.330

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

Officials at the **Department of Labor and Industrial Relations, Office of the State Treasurer, Department of Insurance, Financial Institutions and Professional Registration, Department of Revenue** and the **Department of Economic Development** assume that there is no fiscal impact from this proposal.

Oversight assumes that due to the emergency clause on this bill, the bill would go into effect immediately upon passage and be in full effect for the entire FY 2010.

FISCAL IMPACT - State Government FY 2010 FY 2011 FY 2012

**SPECIAL EMPLOYMENT
 SECURITY FUND**

<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>
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**ESTIMATED NET EFFECT ON
 SPECIAL EMPLOYMENT
 SECURITY FUND**

<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>
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**UNEMPLOYMENT
 COMPENSATION TRUST FUND**

<u>Savings - DOLIR</u> benefits denied	Unknown up to \$3,561,004	Unknown up to \$3,561,004	Unknown up to \$3,561,004
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<u>Savings - DOLIR</u> data entry and mailing costs	<u>\$66,810</u>	<u>\$66,810</u>	<u>\$66,810</u>
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**ESTIMATED NET EFFECT ON
 UNEMPLOYMENT
 COMPENSATION TRUST FUND**

<u>Unknown up to</u> <u>\$3,627,814</u>	<u>Unknown up to</u> <u>\$3,627,814</u>	<u>Unknown up to</u> <u>\$3,627,814</u>
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FISCAL IMPACT - Local Government FY 2010 FY 2011 FY 2012

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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.

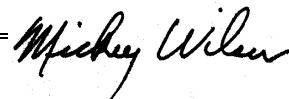
The Division of Employment Security within the Department of Labor and Industrial Relations is authorized additional options to collect unpaid contributions, interest, or penalties from an employer imposed under the Unemployment Compensation Law. The division may serve the employer a notice of assessment for these amounts by certified or registered mail and may file a certificate of lien for their payment with the recorder of deeds in the county in which the employer owns property or has a place of business.

This bill has 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

Department of Labor and Industrial Relations
Office of the Attorney General
Office of the State Treasurer
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue



Mickey Wilson, CPA
Director
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