

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0747-02
Bill No.: HCS for HB 163
Subject: Unemployment Compensation; Employment Security
Type: Original
Date: January 25, 2011

Bill Summary: Modifies the “state ‘on’ indicator” for unemployment compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume the proposed legislation would allow Missouri to continue to participate in the 100% federal reimbursement of extended benefits (EB) paid to most claimants. Claimants who exhaust all regular and Emergency Unemployment Compensation benefits and who are determined eligible could receive up to an additional 20 weeks of 100% federally funded extended benefits. Extended benefits paid to individuals who work for state and local government entities and Indian Tribes are not subject to federal sharing of extended benefits because these organizations do not pay federal unemployment taxes.

The proposed legislation contains five changes to Missouri EB statutes:

First, the paragraphs in Section 288.062.1(2) are restructured to make the statute read more clearly.

Second, the proposed legislation would remove the hard trigger "off" date that was contained in HB 1544 (2010) and would replace it with a soft date that would allow Missouri to remain triggered "on" during periods of 100% federal funding of EB. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 111-312, extended the 100% federal reimbursement of EB through January 7, 2012. The language assures that extended benefits will end when the 100% federal reimbursement ends.

Third, the proposed legislation modifies the conditions under which Missouri is triggered "on." Current law determines whether Missouri is triggered "on" based on the insured unemployment rate (IUR) or the total unemployment rate (TUR). Under the TUR trigger, Missouri is triggered "on" when the most recent 3-month TUR average equals or exceeds 6.5% and the most recent 3-month TUR average equals or exceeds 110% of such average for either or both of the corresponding 3-month periods ending in the 2 preceding calendar years ("look-back" provision). The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 111-312, permits states to temporarily modify the TUR trigger "look-back" period. In the proposed legislation, 288.062.1(2)(b)c modifies the TUR trigger "look-back" period from 2 years to 3 years. If the "look-back" period is not temporarily modified, and assuming the sunset date is removed or extended, the DES estimates Missouri will trigger "off" EB in April 2011, even though the federal government is providing 100% reimbursement to states for EB costs. DES estimates that it will not be able to pay \$115 million in EB to otherwise eligible individuals without this change.

ASSUMPTION (continued)

Fourth, the proposed legislation corrects a cross-reference in Section 288.062.1(3)(b). This cross-reference correction is needed due to the restructuring of the paragraphs in Section 288.062.1(2) (see first change).

Fifth, the proposed legislation corrects a cross-reference in Section 288.062.12(4)(b). This cross-reference correction is needed due to the restructuring of the paragraphs in Section 288.062.1(2) (see first change).

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

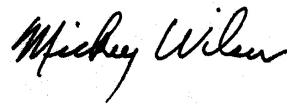
The proposed legislation appears to have no fiscal impact.

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

L.R. No. 0747-02
Bill No. HCS for HB 163
Page 5 of 5
January 25, 2011

SOURCES OF INFORMATION

Department of Labor and Industrial Relations

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA
Director
January 25, 2011