COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4444-01
Bill No.: SB 510
Subject: Employees-Employers; Labor and Industrial Relations Department; Unemployment Compensation
Type: Original
Date: January 13, 2014

Bill Summary: This proposal would redefine "misconduct" and "good cause" for the purposes of disqualification from unemployment benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 288.030.1.(23), RSMo. Employee Misconduct:

Officials from the **Department of Labor and Industrial Relations (DOLIR)** noted this proposal would amend the definition of misconduct and provided the following additional comments.

Under existing provisions, an employee discharged for misconduct is not qualified to receive unemployment compensation, and this proposal would expand the definition of 'misconduct'. The proposal would also eliminate absenteeism or tardiness as a rebuttable presumption of misconduct, and would include absenteeism and tardiness in the new definition of misconduct.

Federal law prohibits a state from imposing a total reduction of benefit rights, or the cancellation of wage credits, unless the individual is discharged for misconduct connected with work.

The proposed changes would have no fiscal impact as long as Missouri interprets this bill in a manner that does not raise conformity issues with federal law. However, if DOLIR does not assure the United States Department of Labor that it will not interpret this bill in a way that would cause a conformity issue, then the United States Department of Labor could determine the Missouri Unemployment Insurance (UI) program to be out of conformity with federal law.

Non-conformity with federal law could jeopardize the certification of Missouri's UI program. If the program is not certified, Missouri would lose approximately $40 million in federal funds the state receives each year to administer the UI program. Additionally, Missouri would lose the approximately $13 million in federal funds each year that the Department of Economic Development - Division of Workforce Development uses for Wagner-Peyser reemployment services.

DOLIR officials also noted the Federal Unemployment Tax Act (FUTA) imposes a 6.0 percent payroll tax on employers. Most employers do not pay the total 6.0 percent due to credits they receive for the payment of state unemployment taxes and for reduced rates under an approved experience rating plan. FUTA allows employer tax credits up to a maximum of 5.4 percent against the federal tax if the Secretary of Labor approves the state UI law. However, if the Missouri's program is determined to be out of compliance or out of conformity, Missouri employers would pay the full 6.0 percent, or approximately an additional $880 million per year.

ASSUMPTION (continued)

The DOLIR response included an estimated loss of $40 million per year to the Unemployment Compensation Administration Fund and an estimated loss of $13 million to the Wagner-Peyser Administration Fund for the potential withdrawal of federal certification for the Missouri Unemployment Compensation Program.

Oversight notes that the DOLIR response for similar language in Truly Agreed To and Finally Passed SS for SB 28 LR 0288-02 (2013), DOLIR officials indicated that proposal did not have a conformity issue, but commented the department would have to make an assurance to the federal Department of Labor it would not interpret the language in a way that would cause a conformity issue. Therefore, based on those assurances from DOLIR, Oversight did not reflect a potential loss of federal funds for that proposal and will not indicate a loss of federal funds for the current proposal.

Section 288.050,(1) RSMo., Voluntary Termination and Good Cause:

DOLIR officials noted individuals can be disqualified for UI benefits if they voluntarily leave work without "good cause" attributable to such work or to the employer. This proposal would add a definition of "good cause". DOLIR officials noted that "good cause" is not currently defined in state law, but assumed the change would have no fiscal impact.

Bill as a whole responses

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from **Pettis County** stated this proposal would, if enacted, have the potential of reducing unemployment claims by 75% in their organization in 2014 and every year thereafter. County officials estimated annual savings of $6,300.

Officials from the **City of Kansas City** assume this proposal would result in potential savings to the City because there is a higher standard for a former employee to receive unemployment benefits to be contributed to by the City. It is difficult to determine how much savings because the amount would be dependent on the decisions of the Employment Security Division's hearing officers, as well as their interpretation of the new, higher standards.

Oversight assumes this proposal could lead to an eventual reduction of costs to entities which have employees if the proposed changes result in the disqualification of more former employees than is currently the case; however, those potential cost reductions would also be dependent on the specific facts in each case and not a direct result of the proposed changes.

Officials from the **Office of Administration - Division of Personnel** and **Division of General Services**, **Lincoln University**, **Linn State Technical College**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University**, the **University of Central Missouri**, the **University of Missouri**, the **Metropolitan Community Colleges**, the **City of Columbia**, **St. Louis County Community College**, the **Jackson County Election Board**, and the **St. Louis County Directors of Elections** each assume this proposal would not fiscally impact their respective organizations.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Officials from the following counties: Andrew, Audrain, Barry, Bates, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following schools: Blue Springs Public Schools, Branson Public Schools, Carondelet Leadership Academy, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Johnson County R-7 Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malden R-I Schools, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools and Warren County R-III School District did not respond to **Oversight's** request for fiscal impact.

Officials from the following colleges and universities: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Moberly Area Community College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

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 direct fiscal impact.

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

SAS:LR:OD

SOURCES OF INFORMATION

Office of Administration
    Division of General Services
    Division of Personnel
Metropolitan Community Colleges
St. Louis County Community Colleges
Missouri State University
Missouri Southern State University
Missouri Western State University
Northwest Missouri State University
University of Central Missouri
Pettis County
Jackson County Election Board
St. Louis County Directors of Elections

Mickey Wilson

Mickey Wilson, CPA
Director
January 13, 2014

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January 13, 2014

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