COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.:	4923-03
Bill No.:	Perfected SS for SB 673
Subject:	Bonds - General Obligation and Revenue; Employees - Employers; Employment Security; Unemployment Compensation
Type:	Original
Date:	March 26, 2014

Bill Summary: This proposal would modify the duration of unemployment compensation and the method to repay federal advances.

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 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Unemployment Trust	$0 to Greater than $14,005,323	$0 to Greater than $14,005,323	$0 to Greater than $14,005,323
Unemployment Insurance Administration	$0 to (Greater than $35,684)	$0 to (Unknown)	$0 to (Unknown)
Total Estimated Net Effect on All Federal Funds	**$0 to Greater than $13,969,639**	**$0 to Greater than $14,005,323**	**$0 to Greater than $14,005,323**

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

Officials from the **Department of Labor and Industrial Relations** (**DOL**) assumed a previous version of this proposal would index the maximum number of weeks benefits are payable to a qualified claimant based upon the average statewide unemployment rate during the three months of the most recent third calendar year quarter. DOL officials estimated the proposal could result in eligible claimants receiving from $14 million to $124 million less in regular unemployment insurance (UI) benefits than they would under current provisions. The following chart illustrates the DOLIR estimate of potential benefit reductions.

If Unemployment Rate Is	# Regular UI Weeks Reduced	Maximum Duration for Regular UI	Estimated Regular UI Benefits NOT Paid to Eligible Recipients (Trust Fund)	Incremental Difference For Additional Week
8.5-9.0	1 week	19 weeks	**$14,005,323**	
8.0-8.5	2 weeks	18 weeks	**$28,822,457**	**$14,817,134**
7.5-8.0	3 weeks	17 weeks	**$44,848,868**	**$16,026,411**
7.0-7.5	4 weeks	16 weeks	**$62,584,281**	**$17,735,412**
6.5-7.0	5 weeks	15 weeks	**$81,904,487**	**$19,320,206**
6.0-6.5	6 weeks	14 weeks	**$102,689,620**	**$20,785,134**
< 6.0	7 weeks	13 weeks	**$124,567,299**	**$21,877,679**

DOLIR officials assumed that, if enacted, implementation of this provision would require computer programming costs estimated at $35,684.

In addition, DOLIR officials assumed a previous version of this proposal would have several ancillary effects.

> First, thieproposal could reduce taxes paid into the trust fund. Since fewer benefits would be paid under this proposal, the amount of tax that would otherwise be paid would be reduced in subsequent years as employer experience ratings are adjusted to reflect the reduction in benefit payments. DOL officials stated they cannot estimate this impact.

ASSUMPTION (continued)

Second, the proposal would reduce the amount of money DOL receives from the United States Department of Labor (USDOL) to administer the unemployment program because it would decrease the number of weeks claimed. DOL officials stated they cannot estimate this impact.

Oversight notes this version of the proposal would offer the Board of Unemployment Fund Financing the option to issue debt instruments in place of federal loans. Oversight notes the debt instruments may have a higher interest rate than the federal loans, but Missouri employers could potentially avoid the reduction in state tax credit on federal unemployment taxes if federal loans are paid off with state financing instruments. This would tend to offset the additional interest cost of the state financing instruments.

Oversight also notes this version of the proposal would require reductions in employer contribution rates in the event the balance in the Unemployment Trust Fund reaches certain levels. Oversight assumes these provisions would have a negative impact on the fund, but considers those potential changes to be prospective and will not include them in this fiscal note. Further, Oversight assumes those adjustments would be made after the period covered by this fiscal note.

Officials from the **Office of Attorney General** assumed that any potential costs arising from a previous version of this proposal could be absorbed with existing resources.

Oversight does not have a way to estimate future unemployment rates; therefore, it is difficult to accurately predict the amount of savings this proposal could generate. Oversight will indicate savings to the Unemployment Compensation Trust Fund as $0 (unemployment rate higher than reduce benefit rate) to Greater than $14,005,323 (the amount saved from a one week reduction.)

Oversight will also include the one time computer upgrades for the Department of Labor to the UI Administration Fund in this fiscal note. Oversight will also include a cost to the UI Administration Fund for the potential increased costs for the change to the repayment of the federal loan process. Oversight assumes the increased costs to the UI Administration Fund would be significantly less than the savings to the Unemployment Compensation Trust Fund. Therefore, these changes should result in a net savings to the State.

ASSUMPTION (continued)

Oversight notes this proposal could result in a reduction of unemployment cost for the state and for local governments due to the potential reductions in benefit payments, and the potential for eventual downward adjustment of unemployment tax rates for local governments. In addition, local governments could be affected by the potential elimination of state credit reductions on federal unemployment taxes. Oversight considers those potential changes to be prospective and will not include them in this fiscal note.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
UNEMPLOYMENT COMPENSATION TRUST FUND			
Savings - Department of Labor Reduction of weekly benefits based on unemployment rate	$0 to Greater than $14,005,323	$0 to Greater than $14,005,323	$0 to Greater than $14,005,323
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	**$0 to Greater than $14,005,323**	**$0 to Greater than $14,005,323**	**$0 to Greater than $14,005,323**
UNEMPLOYMENT INSURANCE ADMINISTRATION FUND			
Cost - Department of Labor Computer programming changes	($35,684)	$0	$0
Credit instrument increased charges	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON UNEMPLOYMENT INSURANCE ADMINISTRATION FUND	**$0 to (Greater than $35,684)**	**$0 to (Unknown)**	**$0 to (Unknown)**

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

FISCAL IMPACT - Small Business

Small businesses may be impacted by the potential reduction in unemployment taxes and by the elimination of state tax credit reductions on federal unemployment taxes.

FISCAL DESCRIPTION

Under current law, the maximum duration for an individual to receive unemployment benefits is 20 weeks. This act would index the duration of benefit eligibility on the Missouri unemployment rate as follows:

- 20 weeks if the Missouri average unemployment rate is nine percent or higher;
- 19 weeks if the Missouri average unemployment rate is between 8 1/2% and 9%;
- 18 weeks if the Missouri average unemployment rate is 8% up to and including 8 1/2%;
- 17 weeks if the Missouri average unemployment rate is between 7 1/2% and 8%;
- 16 weeks if the Missouri average unemployment rate is 7% up to and including 7 1/2%;
- 15 weeks if the Missouri average unemployment rate is between 6 1/2% and 7%;
- 14 weeks if the Missouri average unemployment rate is 6% up to and including 6 1/2%; and
- 13 weeks if the Missouri average unemployment rate is below 6%.

Reductions in employer contribution rates would be required when the balance in the Unemployment Compensation Trust Fund reaches certain levels.

Under current law, the Board of Unemployment Fund Financing may issue credit instruments with a simple majority vote authorizing such issuance. This proposal would require the board to consider the issuance of credit instruments when the amount owed to the federal government for advancements exceeds $300 million.

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FISCAL DESCRIPTION (continued)

Under current law, interest is charged to employers when the state has an outstanding balance for federal advancements. Under this proposal, when credit instruments are required to be issued to pay off the balance of the federal advances, employers would be required to continue to pay the interest assessment to finance the credit instruments.

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 Attorney General

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Director
March 26, 2014

Ross Strope
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March 26, 2014

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