

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4784-01  
Bill No.: HB 1530  
Subject: Unemployment Compensation; Employees - Employers  
Type: Original  
Date: January 11, 2016

---

Bill Summary: This proposal modifies the law relating to unemployment compensation benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Unemployment Insurance Trust Fund	\$1,960,000	\$1,960,000	\$1,960,000
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$1,960,000</b>	<b>\$1,960,000</b>	<b>\$1,960,000</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 legislation would amend Sections 288.380 and 288.381 to permit both fraudulent and non-fraudulent unemployment benefit overpayments to be recovered in the same manner.

Section 288.380.9(3) adds language specifically allowing for fraud overpayment and penalty recovery in accordance with Section 288.380.14. In addition, this section is updated to add language included in 8 CSR 10-3.150 that specifies to which fund recovered penalty amounts are to be deposited. Regarding the recovery of fraud penalties, this change sets forth in statute that an amount equal to 15 percent of the benefits fraudulently obtained shall be deposited in the Unemployment Insurance (UI) Trust Fund in compliance with P.L. 112-40. Missouri has been in compliance with this federal requirement by rule since October 2013.

Section 288.380.12 adds language that allows Division of Employment Security (DES) to use the collection methods in Section 288.380.14 to recover fraud overpayments.

Section 288.380.13 will permit DES to use active collection methods, such as federal and state income tax intercepts (including the Treasury Offset Program) and wage garnishments to collect non-fraud overpayments. This will allow the DES to recover additional debt, which will improve the solvency of the UI Trust Fund and the integrity of Missouri's Unemployment Program.

The DES estimates that this bill will allow for the recovery of approximately \$1.0 million annually in non-fraud debt through state income tax and lottery intercepts. In addition, DES estimates that ten percent of the approximately \$9.6 million in non-fraud overpayments now eligible for TOP will be recovered annually through federal tax intercepts. This calculates to \$960,000 per year. Together, these intercept methods would result in the collection of \$1,960,000 annually for the UI Trust Fund.

The changes to this bill will also allow Missouri's unemployment insurance program to remain in conformity with federal law.

The federal and state governments are jointly responsible for administering the unemployment insurance (UI) system. State laws must meet certain federal requirements for the state agency to receive the administrative grants needed to operate its UI program and for employers to qualify for certain tax credits.

ASSUMPTION (continued)

Non-conformity with federal law could jeopardize the certification of Missouri’s UI program. If the program fails to be certified, Missouri would lose approximately \$38 million in federal funds the state receives each year to administer the UI program. Additionally, Missouri would lose the approximately \$12 million in federal funds each year the Department of Economic Development - Division of Workforce Development uses for Wagner-Peyser reemployment services.

The Federal Unemployment Tax Act (FUTA) imposes a 6.0 percent payroll tax on employers. Most employers never actually pay the total 6.0 percent due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4 percent against the FUTA payroll tax if the USDOL’s Secretary of Labor approves the state’s UI law. However, if this bill causes Missouri’s program to be out of compliance or out of conformity, Missouri employers would pay the full 6.0 percent or approximately an additional \$917 million per year.

Officials at the **Office of Administration - Accounting, Department of Transportation, Department of Conservation, and Department of Revenue** each assume this proposal will not have a fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
<u>Revenue - DOLIR - Recovery of fraudulent and non-fraudulent benefits</u>	<u>\$1,960,000</u>	<u>\$1,960,000</u>	<u>\$1,960,000</u>
<b>ESTIMATED NET EFFECT TO THE UNEMPLOYMENT INSURANCE TRUST FUND</b>	<b><u>\$1,960,000</u></b>	<b><u>\$1,960,000</u></b>	<b><u>\$1,960,000</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal.

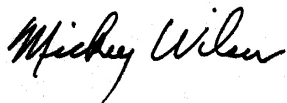
FISCAL DESCRIPTION

Currently, when an individual or employer repays the state for overpayment of unemployment compensation benefits, payments made toward the penalty amount due are credited to the Special Employment Security Fund. This bill requires 15% of the total amount of benefits fraudulently obtained to be deposited into the Unemployment Compensation Fund and the remaining penalty amount must be credited to the Special Employment Security Fund.

This legislation is federally mandated through the Bipartisan Budget Act of 2013 (Pub. L. 113-67), 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 Administration - Accounting  
Department of Transportation  
Department of Conservation  
Department of Revenue



Mickey Wilson, CPA  
Director  
January 11, 2016

Ross Strobe  
Assistant Director  
January 11, 2016