

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0869-01  
Bill No.: SB 161  
Subject: Employment Security  
Type: Original  
Date: February 14, 2019

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Bill Summary: This proposal modifies provisions related to automation adjustments paid by employers subject to the unemployment compensation laws.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Unemployment Automation Fund	Up to \$4,000,000	Up to \$4,000,000	Up to \$4,000,000
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Up to \$4,000,000</b>	<b>Up to \$4,000,000</b>	<b>Up to \$4,000,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Unemployment Trust Fund	Up to (\$4,000,000)	Up to (\$4,000,000)	Up to (\$4,000,000)
Unemployment Compensation Administration Fund	\$0 up to (\$22,537)	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>Up to (\$4,022,537)</b>	<b>Up to (\$4,000,000)</b>	<b>Up to (\$4,000,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state:

#### Division of Employment Security (DES):

Section 288.135 would require each employer that is liable for contributions to pay an annual unemployment automation surcharge of fifteen one-thousandths of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June 30th. The total surcharge due from all employers is not to exceed four million dollars annually.

In addition, the applicable unemployment contributions rate of each employer liable for contributions shall be reduced by fifteen one-thousandths of one percent.

The proposed legislation would result in a no net tax increase for the employer. Based on 2017 data, the surcharge would redirect approximately \$3.8 million from the UI Trust Fund (federal fund) to the unemployment automation fund (state fund).

Taxable wage for period ending June 30, 2017: \$ 25,745,559,755 X 0.015% = \$3,861,834

#### ITSD:

A new batch job needs to be written to calculate automation adjustment percentage, amount and post it to each employer's account. Correspondence needs to be modified to notify the employers regarding automation adjustment amount and due date, etc. Annual rate batch needs to be modified to lower down the contribution rate of employers who paid automation adjustment based on business rules. New tables need to be created to store unemployment automation fund and each employer's contribution towards it.

ITSD services will be required at a cost of \$22,537 (203.04 hours x \$111 per hour) in FY 2020.

The Department anticipates being able to absorb the implementation costs, including ITSD costs through a current UI maintenance agreement and existing funds. However, until the FY 2020 budget is final, the Department cannot identify specific funding sources.

**Oversight** notes for this bill, ITSD assumes they will contract out the programming changes needed to update automation adjustment percentage, contribution rate of employers, and

ASSUMPTION (continued)

to create tables for unemployment automation fund. ITSD estimates the project would take 203.04 hours at a contract rate of \$111 per hour for a total cost to the state of \$22,537. Oversight notes that DOLIR has an existing maintenance contract that is paid by the Unemployment Compensation Administration Fund, supplemented by the Unemployment Automation Fund as funds are available. Therefore, Oversight will reflect IT consultant cost of \$0 up to 22,537.

Officials from the **Office of Administration, Department of Transportation, and Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their organization.

Officials from the **St. Louis County Board of Elections and Jackson County Election Board** both assume the proposal will have no fiscal impact on their organization.

Officials from the **Springfield Public Schools, State Technical College of Missouri, University of Central Missouri, Missouri State University, and University of Missouri** each assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that the Office of Administration, Department of Transportation, Missouri Department of Conservation, St. Louis County Board of Election, Jackson County Election Board, Springfield Public Schools, State Technical College of Missouri, University of Central Missouri, Missouri State University, and University of Missouri have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, school districts, and colleges were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

**Oversight** notes proceeds in the Unemployment Automation Fund (per §288.132.1) is “for the purpose of providing automated systems, and the payment of associated costs, to improve the administration of the state’s unemployment insurance program.”

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>UNEMPLOYMENT AUTOMATION FUND</b>			
<u>Transfer In - DOLIR</u>			
From Federal Unemployment Trust Fund	Up to <u>\$4,000,000</u>	Up to <u>\$4,000,000</u>	Up to <u>\$4,000,000</u>
<b>NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND</b>	<b>Up to <u>\$4,000,000</u></b>	<b>Up to <u>\$4,000,000</u></b>	<b>Up to <u>\$4,000,000</u></b>
<u>FISCAL IMPACT - Federal Funds</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>			
Cost - DOLIR - ITSD costs	\$0 up to <u>(\$22,537)</u>	<u>\$0</u>	<u>\$0</u>
<b>NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>	<b>\$0 up to <u>(\$22,537)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>UNEMPLOYMENT TRUST FUND</b>			
<u>Transfer Out - DOLIR</u>			
To State Unemployment Automation Fund	Up to <u>(\$4,000,000)</u>	Up to <u>(\$4,000,000)</u>	Up to <u>(\$4,000,000)</u>
<b>NET EFFECT ON UNEMPLOYMENT TRUST FUND</b>	<b>Up to <u>(\$4,000,000)</u></b>	<b>Up to <u>(\$4,000,000)</u></b>	<b>Up to <u>(\$4,000,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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

This act provides that any employer required to make contributions under the unemployment compensation laws shall pay an annual unemployment automation adjustment equal to .015% of its total taxable wages for the twelve-month period ending the preceding June 30th. The Division of Employment Security is permitted to lower this rate under certain circumstances.

This act has a delayed effective date of January 1, 2020.

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 Administration  
Department of Transportation  
Missouri Department of Conservation  
St. Louis County Board of Elections  
Jackson County Election Board  
Springfield Public Schools  
State Technical College of Missouri  
University of Central Missouri  
Missouri State University  
University of Missouri



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