

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3778-02  
Bill No.: SB 690  
Subject: Employment Security  
Type: Original  
Date: February 18, 2020

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Bill Summary: This proposal modifies provisions relating to employment security.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
UI Trust Fund	\$70,865,066	\$70,865,066	\$70,865,066
Employment Security AD Cost (ITSD Modifications)	(\$157,043)	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$70,708,023</b>	<b>\$70,865,066</b>	<b>\$70,865,066</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

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

Section 288.060 will change the methodology used by the Division of Employment Security (DES) to calculate unemployment benefits for Missourians.

Section 288.060 is amended to remove the current language used to determine unemployment benefit duration and indexes the maximum number of weeks of unemployment benefits that are payable to the average statewide unemployment rate, twice each calendar year.

DES estimates eligible claimants receiving from \$0 (no change) to \$70.9 million less in regular unemployment insurance (UI) benefits if the indexing method is implemented. This chart, based on the current claims level, estimates a yearly decrease in benefits paid for each week reduction in the duration of unemployment benefits

If Unemployment Rate Is	# Regular UI Weeks Reduced	Maximum Duration for Regular UI	Estimated Regular UI Benefits <b>NOT</b> Paid to Eligible Recipients (Trust Fund)	Incremental Difference For Additional Week
>=9.0%	0 weeks (no change)	20 weeks		
8.6% - 8.9%	1 week	19 weeks	\$7,115,130	\$7,115,130
8.0% - 8.5%	2 weeks	18 weeks	\$14,788,119	\$7,672,989
7.6% - 7.9%	3 weeks	17 weeks	\$22,895,864	\$8,107,744
7.0% - 7.5%	4 weeks	16 weeks	\$31,566,066	\$8,670,202
6.6% - 6.9%	5 weeks	15 weeks	\$40,659,390	\$9,093,324
6.0% - 6.5%	6 weeks	14 weeks	\$50,359,156	\$9,699,766
5.6% - 5.9%	7 weeks	13 weeks	\$60,605,653	\$10,246,497
< 5.5%	8 weeks	12 weeks	\$70,865,066	\$10,259,411

If the number of individuals receiving benefits increases or decreases from current claim levels, the estimated amount of UI benefits not paid from the trust fund would also increase or decrease accordingly.

ASSUMPTION (continued)

**Oversight** notes that the existing Section 288.060 was changed in HB 150 (2015); however, those changes were deemed unconstitutional in 2016 because the General Assembly's veto override in 2015 was untimely.

**DOLIR** officials add that they would have to make changes to the existing programming within the Unemployment Insurance IT structure, where rules related to Maximum Benefit Amount calculation and Severance Pay would have to be changed going forward. DOLIR estimates the proposal would create one time expense within FY2021 in amount of \$157,043 (\$111.00 per hour for consultancy fees multiplied by 1,414.80 total hours of modification to the programming).

**DOLIR** notes that above proposal could potentially create savings to the Unemployment Trust Fund in total of \$70,865,066 each year beginning in FY2021. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect this impact on the fiscal note.

Additionally, ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed. It deals with changing the Weekly Benefit Amount (WBA) and Maximum Benefit Amount (MBA) rules and how ITSD would adjudicate to make the correct payments. It also includes changes to Termination and Severance Pay, which is impacting several areas in the application. ITSD estimates the project would take approximately 1,415 hours at a contract rate of \$111.00 per hour to complete this project and total cost to the state of \$157,043.

**Oversight** notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD could (instead of contracting out the programming changes) hire one, or maximum two, additional IT Specialists for FY2021 to perform the work required.

For fiscal note purposes **Oversight** will show the estimated contracting costs.

Officials from the **Office of Administration** note in the first three quarters of 2019 and the last quarter of 2018, OA paid unemployment benefits totaling \$43,107. With unemployment rates around 3% over the past year, an individual would only be eligible for 12 weeks of unemployment benefits.

ASSUMPTION (continued)

This would have reduced the amount paid to \$25,864.20 for an approximate cost savings of \$17,243. While we are unable to project the number of individuals who will receive benefits next year, the assumption is similar to the current year.

**Oversight** notes that for the purpose of this proposed legislation, officials from the Office of Administration state they expect cost savings of \$17,242.80 annually. Oversight does not have any information to the contrary and it will reflect the cost savings impact, as part of the overall projection of the DOLIR estimate, on the fiscal note.

Officials from the **Attorney General's Office, Department of Conservation, Missouri Department of Transportation** and **Office of State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Kansas City** and **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **State Technical College of Missouri** and the **University of Missouri** each assume the proposal will have no fiscal impact on their respective organization

**Oversight** notes that the average daily balance of the Unemployment Compensation Trust Fund was \$673,863,090 in FY 2018 and \$832,620,711 in FY 2019. Oversight assumes this proposal (decrease in the duration of unemployment and the increase in the threshold) would increase the Trust Fund balance. This threshold balance of the Trust Fund is required to be met to trigger a discount for employers. Oversight notes the state government and larger municipal governments would not be impacted; however, smaller municipalities may be impacted (an increase in the threshold balance required to receive the discount may reduce the discounts received by smaller political subdivisions). Oversight is unable to determine the potential cost to employers that would be a result of this proposal; therefore, Oversight will reflect a zero to potential unknown negative impact to smaller local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)</b>			
<u>Costs - DOLIR</u>			
Expense - IT Consultants	<u>(\$157,043)</u>	<u>\$0</u>	<u>\$0</u>
<b>NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)</b>			
	<b><u>(\$157,043)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Savings - DOLIR</u>			
Reduction of weekly benefits based on unemployment rate	<u>\$70,865,066</u>	<u>\$70,865,066</u>	<u>\$70,865,066</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
	<b><u>\$70,865,066</u></b>	<b><u>\$70,865,066</u></b>	<b><u>\$70,865,066</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>POLITICAL SUBDIVISIONS</b>			
<u>Cost - Reduced discounts in Unemployment Tax payments</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>NET FISCAL IMPACT ON POLITICAL SUBDIVISIONS</b>			
	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

### FISCAL IMPACT - Small Business

Officials from the Department of Labor and Industrial Relations note that there are over 158,000 small businesses covered by Missouri's unemployment insurance system. Changes to Missouri's unemployment insurance laws have the potential to increase or decrease the amount of unemployment taxes small businesses pay depending on the state's average unemployment rate.

### FISCAL DESCRIPTION

Under current law, the maximum duration for an individual to receive unemployment benefits is 20 weeks. This act modifies the duration an individual can receive such benefits on the Missouri average 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 ½% and 9%;
- 18 weeks if the Missouri average unemployment rate is 8% up to and including 8 ½%;
- 17 weeks if the Missouri average unemployment rate is between 7 ½% and 8%;
- 16 weeks if the Missouri average unemployment rate is 7% up to and including 7 ½%;
- 15 weeks if the Missouri average unemployment rate is between 6 ½% and 7%;
- 14 weeks if the Missouri average unemployment rate is 6% up to and including 6 ½%;
- 13 weeks if the Missouri average unemployment rate is between 5.5% and 6%; and
- 12 weeks if the Missouri average unemployment rate is at or below 5.5%.

These provisions take effect beginning January 1, 2021.

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  
Missouri Department of Transportation  
Department of Conservation  
Office of State Courts Administrator



Julie Morff  
Director  
February 18, 2020



Ross Strobe  
Assistant Director  
February 18, 2020