

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4055-01  
Bill No.: SB 694  
Subject: Employment Security  
Type: Original  
Date: January 9, 2020

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Bill Summary: This proposal creates new provisions relating to unemployment benefits probationary periods.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0 to Less than \$100,000	\$0 to Less than \$100,000	\$0 to Less than \$100,000
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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 6 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>
Unemployment Trust Fund	\$0 to (Less than \$100,000)	\$0 to (Less than \$100,000)	\$0 to (Less than \$100,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 to (Less than \$100,000)</b>	<b>\$0 to (Less than \$100,000)</b>	<b>\$0 to (Less than \$100,000)</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 Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration** state that under current law, employers are not required to pay unemployment benefits if an employee has worked for the employer for less than 28 days, and the employer reported the employee as a probationary employee. This would extend the period to 90 days. This bill could have a positive fiscal impact if OA utilized this provision. However, OA does not have many employees who separate from employment within the first 90 days. In the first three quarters of 2019 and the last quarter of 2019, OA paid unemployment benefits totaling \$43,107. Assuming 10% of those employees had a separation after 28 days, but before 90 days, utilizing this provision would have saved OA approximately \$4,300 for the year (assuming all employees were paid equal amounts). However, it is unknown how many employees this would be applicable to in a given year. Therefore, the impact of this bill is \$0 to a positive unknown.

**Oversight** notes the proposal does not impact the eligibility requirements to receive unemployment benefits, however the proposal increases the period in which employers can evaluate probationary workers.

**Oversight** notes that according to DOLIR the only way to recognize if a probationary worker was employed 28 days or less is if the employer checks the box on the wage report as required by regulation and provides the starting date and ending date. At this time, there are no beginning and ending employment date reporting requirements for non probationary workers. Therefore there is not currently any data to estimate how many employment security benefits have been paid out to persons employed between 28-90 days.

**Oversight** notes under this proposal, charges shall not be made against the unemployment benefits account of an employer with respect to benefits paid to any individual unless that individual was employed for longer than a probationary period of 90 days. This change could result in potential minimal savings to the state and local political subdivisions of an unknown amount in certain circumstances. Additionally, this proposal could result in potential minimal loss of revenue to the Unemployment Trust Fund for those instances in which individuals become unemployed during the 28-90 day probationary period. Oversight is unable to determine how many employees the provision would be applicable to in the future. Therefore, Oversight will reflect a zero to less than \$100,000 positive fiscal impact to general revenue and a zero to less than \$100,000 negative fiscal impact to the unemployment trust fund.

ASSUMPTION (continued)

Officials from the **Office of Administration** defer to small business owners to estimate the fiscal impact of the proposed legislation on their respective organization as it will be dependent on their policies and procedures.

Officials from the **Department of Labor and Industrial Relations, Missouri Department of Conservation, Department of Commerce & Insurance, and Department of Transportation** each assume the proposal will have no fiscal impact on their organization.

Officials from the **City of Springfield** assume the proposal will have a positive fiscal impact to the city. However, given how infrequently an individual's employment with the City is terminated prior to ninety days on the job, the impact is impossible to project, but likely insignificant.

Officials from the **City of Kansas City** assume the proposal could have a positive fiscal impact on their organization if the longer probationary period causes a reduction in claims.

Officials from **Boone County** assume the proposal will have no fiscal impact on their organization.

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

**Oversight** notes that the Department of Labor and Industrial Relations, Missouri Department of Conservation, Department of Commerce & Insurance, Department of Transportation, Boone County, State Technical College of Missouri, and University of Missouri have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, schools, and colleges were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE</b>			
<u>Savings</u> - potential less unemployment benefits paid for probationary employees between 28 and 90 days	\$0 to Less than <u>\$100,000</u>	\$0 to Less than <u>\$100,000</u>	\$0 to Less than <u>\$100,000</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>
<b>UNEMPLOYMENT TRUST FUND</b>			
<u>Loss</u> - DOLIR Employment Security Benefits from non-charged employers	\$0 to (Less than <u>\$100,000</u> )	\$0 to (Less than <u>\$100,000</u> )	\$0 to (Less than <u>\$100,000</u> )
<b>NET EFFECT ON THE UNEMPLOYMENT TRUST FUND</b>	<b><u>\$0 to (Less than \$100,000)</u></b>	<b><u>\$0 to (Less than \$100,000)</u></b>	<b><u>\$0 to (Less than \$100,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> - potential less unemployment benefits paid for probationary employees between 28 and 90 days	\$0 to Less than <u>\$100,000</u>	\$0 to Less than <u>\$100,000</u>	\$0 to Less than <u>\$100,000</u>
<b>NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under current law, charges shall not be made against the unemployment benefits account of an employer with respect to benefits paid to any individual unless that individual was employed for longer than a probationary period of 28 days. This act extends that probationary period to 90 days.


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

Office of Administration  
Department of Labor and Industrial Relations  
Department of Transportation  
Missouri Department of Conservation  
Department of Commerce & Insurance  
City of Springfield  
City of Kansas City  
Boone County  
State Technical College of Missouri  
University of Missouri



Julie Morff  
Director  
January 9, 2020



Ross Strobe  
Assistant Director  
January 9, 2020