

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4081-01
Bill No.: SB 691
Subject: Employment Security
Type: Original
Date: February 13, 2020

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Unemployment Automation Fund	Up to \$5,000,000	Up to \$5,000,000	Up to \$5,000,000
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$5,000,000	Up to \$5,000,000	Up to \$5,000,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Unemployment Trust Fund	Up to (\$5,000,000)	Up to (\$5,000,000)	Up to (\$5,000,000)
Unemployment Compensation Administration Fund	\$0 up to (\$22,537)	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	Up to (\$5,022,537)	Up to (\$5,000,000)	Up to (\$5,000,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Division of Employment Security (DES):

Section 288.133 of the proposal would require each employer that is liable for contributions to pay an annual unemployment automation adjustment of fifteen one-thousandths of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June thirtieth. The total adjustment due from all employers is not to exceed five million dollars.

In addition, for the first calendar quarter of each year, the total amount of tax contributions otherwise due for each employer liable for contributions shall be reduced by the dollar amount of the automation adjustment.

Taxable wage for period ending June 30, 2019: \$ 25,048,675,452 X 0.015% = \$3,757,301.

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 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.

ASSUMPTION (continued)

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. Additionally, DOLIR selects its going consultancy rate dependent on difficulty of the programming and has a choice to employ in-house ITSD at \$95 per hour, or outside IT consultants at \$111 per hour. Therefore, Oversight will reflect IT consultant cost of \$0 up to \$22,537.

Officials from the **Office of Administration, Department of Transportation, Missouri Department of Conservation** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

Official from **Boone County** assume the proposal would have fiscal impact of \$5,000 per year. Officials further explain the estimated is derived by multiplying its payroll by 15 one thousandths of one percent for 2019 year.

Officials from the **City of Kansas City, City of O'Fallon, State Technical College of Missouri, and Missouri State University** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes subsection 288.133.4 states that there shall be an offsetting reduction due from each employer liable to pay contributions under chapter 288. Therefore, Oversight will assume the proposal will net to zero fiscal impact to local political subdivisions.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (6 Mo.)	FY 2022	FY 2023
UNEMPLOYMENT AUTOMATION FUND (0953)			
<u>Transfer In - DOLIR</u>	Up to	Up to	Up to
From Federal Unemployment Trust Fund	<u>\$5,000,000</u>	<u>\$5,000,000</u>	<u>\$5,000,000</u>
NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND (0953)	<u>Up to \$5,000,000</u>	<u>Up to \$5,000,000</u>	<u>Up to \$5,000,000</u>
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)			
Cost - DOLIR - ITSD costs	\$0 up to <u>(\$22,537)</u>	<u>\$0</u>	<u>\$0</u>
NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)	<u>\$0 up to (\$22,537)</u>	<u>\$0</u>	<u>\$0</u>
UNEMPLOYMENT TRUST FUND (0122)			
<u>Transfer Out - DOLIR</u>	Up to	Up to	Up to
To State Unemployment Automation Fund	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>
NET EFFECT ON UNEMPLOYMENT TRUST FUND (0122)	<u>Up to (\$5,000,000)</u>	<u>Up to (\$5,000,000)</u>	<u>Up to (\$5,000,000)</u>

FISCAL IMPACT - Local Government

FY 2021
(6 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal will not have a fiscal impact on small businesses.

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 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
Missouri Senate
City of Kansas City
City of O'Fallon
Boone County
State Technical College of Missouri
Missouri University System



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