

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0839S.01I  
Bill No.: SB 183  
Subject: Employment Security  
Type: Original  
Date: February 2, 2021

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Bill Summary: The proposal modifies definition of "wages" under employment security law to exclude termination and severance pay.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 2022</b>	<b>FY 2023</b>	<b>FY 2024</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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Unemployment Compensation Trust Fund	\$0 to \$4,042,642	\$0 up to \$4,851,171	\$0 up to \$4,851,171
Unemployment compensation Administration Fund (0948)	(\$44,955)	(\$9,216)	(\$9,446)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$44,955 to \$3,997,687</b>	<b>(\$9,216) to \$4,841,955</b>	<b>(\$9,446) to \$4,841,725</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 \$250,000 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 2022</b>	<b>FY 2023</b>	<b>FY 2024</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** assume the proposal, makes the following changes:

Sections 288.036 and 288.060 will change the methodology used by the Division of Employment Security (DES) to calculate unemployment benefits for Missourians which could change the amount of unemployment benefit payments made to claimants.

Section 288.036.1 stipulates that termination pay and severance pay shall be considered wages for the week with respect to which it is payable. The change in Section 288.060.3 removes an existing provision stating termination pay and severance pay shall not be considered as wages for the calculation of partial benefits. Applied together, these changes will require claimants to report termination pay and severance pay as wages for each week it is payable. Wages from severance pay, when paid as a lump sum, will be pro-rated on a weekly basis at the rate of pay received by the employee at the time of separation. For weeks in which an otherwise eligible claimant reports termination pay and severance pay, the claimant will be entitled to either a reduced weekly benefit payment or no weekly benefit payment, depending on the amount of the termination pay and severance pay reported.

These changes would increase the balance of the Unemployment Insurance Trust Fund. Based on data from the U.S. Bureau of Labor Statistics, the average weekly wage for an employed Missourian is \$920, and the average tenure of an employee over age 25 is 5.0 years. During the 12-month period ending June 30, 2019, DOLIR made 73,347 initial payments.

Using the average weekly unemployment payment of \$264.56, and the assumptions that severance payments would be made on a weekly basis at the common method of calculation of one week's pay per year of service and that up to 5% of employers make severance/termination payments, a saving of \$0 to \$4,851,171 is estimated for the Unemployment Insurance Trust Fund

<b>Calculation of UI Trust Fund Cost Estimate</b>	
Average weeks of severance/termination pay	5.0
X Average unemployment payment	\$264.56
Total severance/termination payments per claimant	\$1,322.80
Initial payments – 1 year	73,347
X 5% Claimants receiving severance/termination payments	3,667.35
Total payments per claimant	\$1,322.80
X Claimants receiving severance/termination pay	3,667.35
Estimated highest savings to the Unemployment Trust Fund	<b>(\$4,851,171)*</b>

*\*A change in any of the variables used in this calculation will result in an impact higher or lower than the estimate provided in this document.*

**Oversight** notes that according to the U.S. Department of Labor, Missouri's average seasonally adjusted unemployment rate for the time period of October to December 2018 was 3.1%. Additionally the Missouri seasonally adjusted unemployment rate for October to December 2019 was 3.1%. Oversight will not show an average unemployment rate for FY 2020 due to the COVID-19 fluctuation in unemployment rates and as a potential outlier.

**Oversight** notes that DOLIR-ITSD stated that they would have to make changes to the its programming within the Unemployment Insurance ITSD structure, where rules related to Maximum Benefit Amount calculation and Severance Pay would have to be changed forward. **DOLIR** estimates the proposal would create one-time expense to finish all necessary database changes in amount of \$44,955 (405 hours x \$111) for FY 2022, and continuing support in amount of \$9,216 FY 2023 and \$9,446 FY 2024. Therefore, Oversight will reflect the DOLIR-ITSD estimates to the Unemployment Compensation Administration Fund.

**Oversight** notes that the DOLIR has stated the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect positive fiscal impact to the Unemployment Compensation Trust Fund and reflect savings (reduction of payments) in amount of \$4,851,171.

Officials from the **Missouri Department of Conservation, Missouri Department of Transportation, Office of Administration, Office of the State Courts Administrator, and Attorney General's Office** each assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **City of Ballwin, City of Corder, City of Kansas City, City of O'Fallon, City of Springfield, and City of Saint Louis – Budget Division** each assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **Missouri State University, Northwest Missouri State University, State Technical College of Missouri, University Of Central Missouri, and High Point R-III School** each assume the proposal would not have a direct fiscal impact on their respective organization.

**Oversight** assumes the proposal has a potential for a small positive impact on local governments, schools, colleges, and universities; however, overall impact would not be material enough to affect their current or future operations. Therefore, Oversight will note zero impact on the fiscal note for above mentioned organizations.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges, school districts, counties, and cities 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 2022 (10 Mo.)	FY 2023	FY 2024
<b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Savings - '287.036 - Severance Pay</u>	\$0 to \$4,042,642	\$0 to \$4,851,171	\$0 to \$4,851,171
<b>ESTIMATED NET EFFECT ON THE UNEMPLOYMENT COMPENSATION TRUST FUND</b>	\$0 to <u>\$4,042,642</u>	\$0 to <u>\$4,851,171</u>	\$0 to <u>\$4,851,171</u>
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)</b>			
<u>Cost - 288.136 DOLIR Expense - IT Consultant p. 9</u>	<u>(\$44,955)</u>	<u>(\$9,216)</u>	<u>(\$9,446)</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)</b>	<u>(\$44,955)</u>	<u>(\$9,216)</u>	<u>(\$9,446)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

This act modifies the definition of wages for purposes of employment security law to include termination pay and severance pay. The total amount of wages derived from severance pay, if paid to an insured in a lump sum, shall be pro-rated on a weekly basis at the rate of pay received by the insured at the time of termination for the purposes of determining unemployment eligibility.

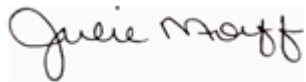
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

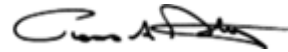
Department of Labor and Industrial Relations  
 Missouri Department of Conservation  
 Missouri Department of Transportation  
 Office of Administration  
 Office of the State Courts Administrator  
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 City of Ballwin, City of Corder  
 City of Kansas City

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City of O'Fallon  
City of Springfield  
City of Saint Louis – Budget Division  
Missouri State University  
Northwest Missouri State University  
State Technical College of Missouri  
University Of Central Missouri  
High Point R-III School



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