

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4020S.02I  
Bill No.: SB 876  
Subject: Employment Security; Department of Labor and Industrial Relations  
Type: Original  
Date: February 7, 2022

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Bill Summary: This proposal creates new provisions requiring employers to make an automation adjustment payments.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</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 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Unemployment Automation Fund (0953)	\$4,402,670 or up to \$5,000,000	\$4,402,670 or up to \$5,000,000	\$4,402,670 or up to \$5,000,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$4,402,670 or up to \$5,000,000</b>	<b>\$4,402,670 or up to \$5,000,000</b>	<b>\$4,402,670 or up to \$5,000,000</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Unemployment Trust Fund (0122)	(\$4,402,670) or up to (\$5,000,000)	(\$4,402,670) or up to (\$5,000,000)	(\$4,402,670) or up to (\$5,000,000)
Unemployment Compensation Administration Fund (0948)	\$0 up to (\$91,109)	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$4,493,779) or up to (\$5,091,109)</b>	<b>(\$4,402,670) or up to (\$5,000,000)</b>	<b>(\$4,402,670) or up to (\$5,000,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</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.

☒ Estimated Net Effect (savings or increased 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 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

### ASSUMPTION

Officials from **Department of Labor and Industrial Relations (DOLIR)** state the Section 288.133 would require each employer that is liable for contributions to pay an annual unemployment automation adjustment of two one-hundredths 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, 2021: \$ 22,013,351,744 X 0.02% = \$4,402,670.

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 2023 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 820.8 hours at a contract rate of \$111 per hour for a total cost to the state of **\$91,109**.

**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 ongoing consultancy rate dependent on difficulty of the programing 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 a one-time IT consultant cost of \$0 up to (\$91,109) in the fiscal note for FY 2023.

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

Officials from the **City of Kansas City** and **City of Springfield** both, have stated the proposal would not have a direct fiscal impact on their respective organizations.

The **University of Central Missouri** assume the proposal will have indeterminate fiscal impact on their respective organization.

**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 employers, including colleges, universities, and local political subdivisions.

Officials from **Missouri State University** have stated the proposal would not have a direct fiscal impact on their organization.

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

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>UNEMPLOYMENT AUTOMATION FUND (0953)</b>			
Transfer In - DOLIR From Federal Unemployment Trust Fund	\$4,402,670 or up to <u>\$5,000,000</u>	\$4,402,670 or up to <u>\$5,000,000</u>	\$4,402,670 or up to <u>\$5,000,000</u>
<b>NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND (0953)</b>	<b>\$4,402,670 or up to <u>\$5,000,000</u></b>	<b>\$4,402,670 or up to <u>\$5,000,000</u></b>	<b>\$4,402,670 or up to <u>\$5,000,000</u></b>
<b>UNEMPLOYMENT TRUST FUND (0122)</b>			
Transfer Out - DOLIR To State Unemployment Automation Fund	(\$4,402,670) or up to (\$5,000,000)	(\$4,402,670) or up to (\$5,000,000)	(\$4,402,670) or up to (\$5,000,000)
<b>NET EFFECT ON UNEMPLOYMENT TRUST FUND (0122)</b>	<b>(\$4,402,670) or up to (\$5,000,000)</b>	<b>(\$4,402,670) or up to (\$5,000,000)</b>	<b>(\$4,402,670) or up to (\$5,000,000)</b>
<u>FISCAL IMPACT – State Government</u> (continued)	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)</b>			
Cost - DOLIR - ITSD costs	\$0 up to (\$91,109)	\$0	\$0

<b>NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>	<b><u>\$0 up to (\$91,109)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<b><u>FISCAL IMPACT – Local Government</u></b>	<b>FY 2023 (10 Mo.)</b>	<b>FY 2024</b>	<b>FY 2025</b>
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**FISCAL IMPACT – Small Business**

Small businesses will have to comply with the proposal and remit appropriate amounts into the Unemployment Automation Trust fund.

**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 .02% 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, 2023.

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**

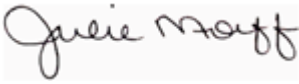
Department of Labor and Industrial Relations  
Office of Administration  
Department of Conservation  
Missouri Department of Transportation  
University of Central Missouri  
Missouri State University  
City of Kansas City  
City of Springfield

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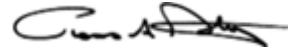
February 7, 2022

A handwritten signature in cursive script, reading "Julie Morff", written in black ink on a light-colored background.

Julie Morff

Director

February 7, 2022

A handwritten signature in cursive script, reading "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe

Assistant Director

February 7, 2022