

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4163S.01I
 Bill No.: SB 777
 Subject: Employment Security; Department of Labor and Industrial Relations
 Type: Original
 Date: January 31, 2022

Bill Summary: This proposal creates new provisions relating to employment security.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund	\$0 or (\$460,839)	\$0 or (\$503,302)	\$0 or (\$511,297)
Total Estimated Net Effect on General Revenue	\$0 or (\$460,839)	\$0 or (\$503,302)	\$0 or (\$511,297)

*Oversight notes the DOLIR states they will need additional FTE to implement the changes specified in the bill; however, §288.056.2 states the division shall utilize existing department resources. Therefore, Oversight ranged the fiscal impact from \$0 (no new resources are allowed to be used by DOLIR) to the department’s estimated cost.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	0 or 7 FTE	0 or 7 FTE	0 or 7 FTE
Total Estimated Net Effect on FTE	0 or 7 FTE	0 or 7 FTE	0 or 7 FTE

*Oversight notes the DOLIR states they will need additional FTE to implement the changes specified in the bill; however, §288.056.2 states the division shall utilize existing department resources. Therefore, Oversight ranged the fiscal impact from \$0 (no new resources are allowed to be used by DOLIR) to the department’s estimated cost.

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full 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 or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

The USDOL informally reviewed SB 808 (which is very similar to SB 777) for conformity with Federal unemployment compensation law and determined that the bill does not raise a conformity issue.

Section 288.056 of the proposal:

The Missouri Department of Higher Education and Workforce Development – Office of Workforce Development (DHEWD-OWD), maintains Missouri’s job centers and job bank services for all employers. DHEWD-OWD works with employers to assist them with job postings and recruitment. The Missouri Department of Labor and Industrial Relations – Division of Employment Security (DES) systematically refers every claimant to DHEWD-OWD and pre-registers each claimant in jobs.mo.gov to assist in the claimant’s return to work. An interface between jobs.mo.gov and UInteract, (DES comprehensive Unemployment Insurance system), uses occupational codes within the claimant’s work history and the claimant’s residential location to provide job opportunities after filing of the initial Unemployment Insurance (UI) claim and each week the claimant files for a week of unemployment benefits.

Due to the existing job bank infrastructure administered by DHEWD-OWD, existing interfaces between the DES and DHEWD-OWD systems, and citizen (employers and job applicants) awareness and use of the OWD job bank, the DES intends to leverage its partnership with DHEWD-OWD to meet the job posting and referral requirements. This bill would require the DES to expand its current process for matching job opportunities to Unemployment Insurance claimants to include the facilitation of contact between claimants and employers and monitoring the responsiveness of claimants to job referrals.

This bill would require the DOLIR-DES to establish the process for monitoring whether or not a claimant is “sufficiently responsive.”

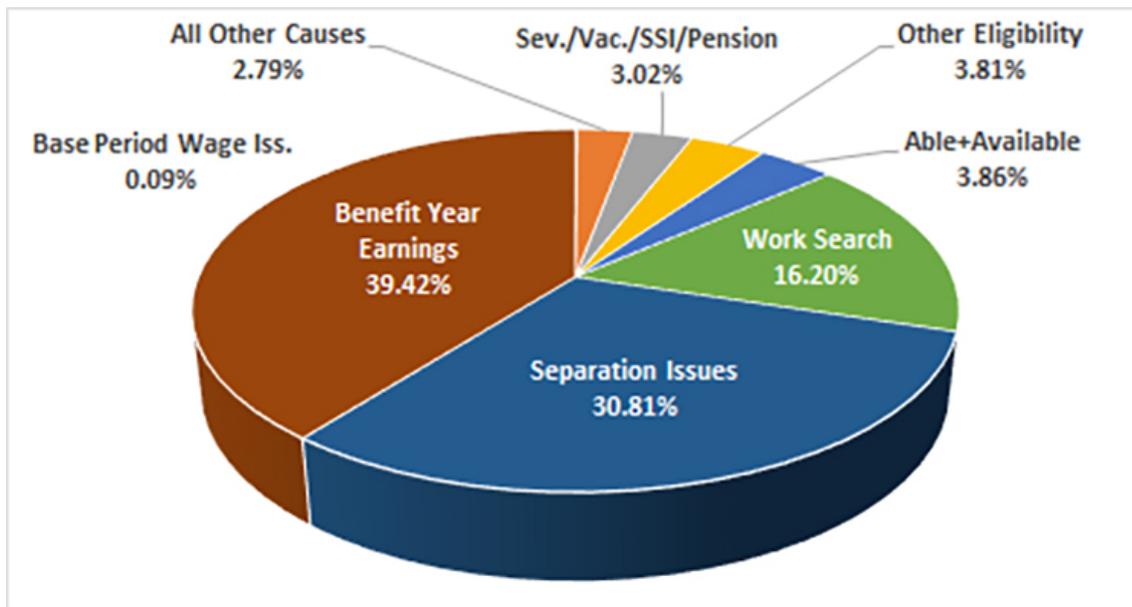
To remain eligible for unemployment benefits, this bill requires all claimants, regardless of job attachment, to comply with the requirement to be responsive to job referrals made by the agency. Claimants found to be non-responsive would continue to be ineligible for benefits until they are “sufficiently responsive.” Current law allows claimants that have been given a definite recall date by their employer, within a set number of weeks, to be exempt from work search activities. This allows employers faced with a short-term layoff, the ability to retain the expertise of skilled labor that they have trained and invested in. As an example, many large manufacturers experience short-term layoffs for factory retooling or in preparation for new model releases.

DES notes that Federal Law requires state law to not deny benefits based on the failure to search for work for claimants participating in approved training, and provides that states may not deny individuals who are participating in a short-time compensation (STC) plan.

DESE states in order to implement the provisions of this bill, extensive IT programming will be required. DOLIR-DES estimates it will require 7.00 FTE to administer the provisions in this bill. [HYPERLINK](#) , for potential employees seeking jobs and connect with employers throughout the Missouri. However, this proposal would require the DES to expand its current processes for matching job opportunities to the Unemployment Insurance claims to include the facilitation of contact between claimants and employers while monitoring the responsiveness of claimants to job referrals.

Oversight notes that DES currently cross matches its unemployment records against the National Directory of New Hires and the State Directory of New Hires. Moreover, the DES currently accessing the Integrity Data Hub if needed which provides critical cross-matching functionality to combat the challenges and urgencies of UI fraud.

Oversight notes the Payment Integrity Information Act (PIIA) of 2019, requires programs to report an annual improper payment rate below 10 percent, and the UI program established a performance measure for states to meet the 10 percent requirement. The Missouri improper payment rate projected between July 1, 2017 - June 30, 2020 reached 7.29% ([PIIA Data](#)). The most prevalent reasons for such an overpayments are shown in table below.



Source: [Causes for Improperly Paid Benefits](#)

Annual Data of Unemployed in Missouri

State	Year	Quarter	Civilian Labor	Covered Employemen	Covered Employment(%)	Total Unemploye
MO	2015	4	3,046	2,706	4.10%	110946
MO	2016	1	3,058	2,653	4.90%	129997
MO	2016	2	3,095	2,726	4.50%	122670
MO	2016	3	3,088	2,689	4.90%	131761
MO	2016	4	3,050	2,735	3.90%	106665
MO	2017	1	3,045	2,689	4.50%	121005
MO	2017	2	3,078	2,752	3.70%	101824
MO	2017	3	3,072	2,710	3.80%	102980
MO	2017	4	3,035	2,755	3.10%	85405
MO	2018	1	3,035	2,700	3.90%	105300
MO	2018	2	3,072	2,763	3.20%	88416
MO	2018	3	3,056	2,725	3.20%	87200
MO	2018	4	3,042	2,770	2.70%	74790
MO	2019	1	3,052	2,719	3.70%	100603
MO	2019	2	3,081	2,778	3.00%	83340
MO	2019	3	3,093	2,738	3.30%	90354
MO	2019	4	3,090	2,793	3.10%	86583
MO	2020	1	3,085	2,732	4.10%	112012
					Annual average FY 16-19	102325

Oversight note that the DES currently serves 102,325 unemployed Missourians annually (FY 2016-2019 excluding FY 2020 & 2020I due to the COVID pandemic), as shown in table above, excluding farm type of employment. Additionally, it is estimated that at least 7.29% within the group received improperly paid benefits. This would account for minimum of 7,460 individuals (102,325 x 7.29%) annually, receiving improperly paid unemployment benefits that would have to be recovered.

Oversight notes §288.056.2 states the division shall implement this section using existing resources. Therefore, Oversight will range the fiscal impact from \$0 (DOLIR must only utilize existing resources) to DOLIR's request for FTE and additional ITSD (software which enables cross-matching for all reporting agencies and DES - UIneract system) costs in the fiscal note.

In response to the similar proposal, SB 808 2022, officials from the **Office of Administration – Budget & Planning (B&P)** assumed an unemployment benefits may count as taxable income. If this proposal results in an increase in recovery of fraudulent or improper unemployment compensation benefits, then there would be an unknown negative impact to TSR and GR.

Oversight notes that B&P assumes some claimants will have to amend their income tax return due to the improperly paid benefits, which will not be part of their income. However, as shown in above data, there are currently recipients of unemployment benefits, who must amend their income tax, due the overpayments recovered each year for various reasons. Therefore, **Oversight** will reflect a zero impact to the General Revenue and Other State Funds in the fiscal note for this possibility.

Official from the **Office of Administration, Office of Administration – Administrative Hearing Commission, Department of Revenue, Department of Higher Education and**

Workforce Development, Missouri Department of Conservation, Missouri Department of Transportation, Missouri University System, Department of Health and Senior Services, and the Missouri State University each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for these agencies.

In response to the similar proposal, SB 808 (2022), officials from the **Department of Social Services** assumed the proposal would not have a direct fiscal impact on their organization.

Officials from the **University of Central Missouri** assume the proposal would have an indeterminate fiscal impact on their organization.

Oversight notes that recovery of benefits for those claimants, whom received improperly issued money, could potentially result in some savings for the University. However, for purpose of this fiscal note, **Oversight** will reflect a zero impact in the fiscal note for the University.

Officials from the **City of Claycomo, City of Kansas City, City of O’Fallon, City of Springfield, City of Saint Louis – Budget Division, and the Green County** each assume the proposal would not have a fiscal impact on their respective organizations.

Oversight notes the officials from the above organizations assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Cost – DOLIR – Section 288.056</u> Overpayment Cross-check with various agencies	\$0 or..	\$0 or....	\$0 or...
Salary	(\$244,586)	(\$299,373)	(\$305,361)
Fringe Benefits	(\$168,301)	(\$203,929)	(\$205,936)
Other Cost – ITSD changes	(\$47,952)	\$0	\$0
<u>Total Cost - DOLIR</u>	<u>(\$460,839)</u>	<u>(\$503,302)</u>	<u>(\$511,297)</u>
FTE change - DOLIR	7 FTE	7 FTE	7 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or (\$466,839)</u>	<u>\$0 or (\$503,302)</u>	<u>\$0 or (\$511,297)</u>
Estimated Net FTE Change on Other State Funds	0 or 7 FTE	0 or 7 FTE	0 or 7 FTE

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

FISCAL IMPACT – Small Business

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

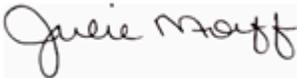
FISCAL DESCRIPTION

This act creates the Employment Security and Job Referrals Act of 2022. Under this provision, the Division of Employment Security (DES) is required to establish a process by which open positions submitted by employers to the Department of Labor and Industrial Relations will be directly shared with claimants of unemployment compensation. DES is required to establish a process by which claimants will be referred to such open positions. If a claimant fails to comply with a job referral, the person will be deemed to have failed to participate in reemployment services, as required by current law.

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
Office of Administration – Administrative Hearing Commission
Department of Revenue
Department of Higher Education and Workforce Development
Missouri Department of Conservation
Missouri Department of Transportation
Department of Health and Senior Services
Department of Social Services
University of Central Missouri
Missouri State University
University of Missouri System
City of Claycomo
City of Kansas City
City of O’Fallon
City of Springfield
City of Saint Louis – Budget Division
Green County



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