

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4163S.02C
Bill No.: SCS for SB Nos. 777 & 808
Subject: Employment Security
Type: Original
Date: March 14, 2022

Bill Summary: This proposal modifies provisions relating to the administration of unemployment benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	\$0 or (\$295,685)	\$0 or (\$503,302)	\$0 or (\$511,297)
Total Estimated Net Effect on General Revenue	\$0 or (\$295,685)	\$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 for conformity with Federal unemployment compensation law and determined that the bill does not raise a conformity issue.

Section 288.056 "Employment Security and Job Referrals Act of 2022":

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 UIInteract, (DES's 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.

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.

Section 288.104 "Employment Security Program Integrity Act of 2022":

The DES does not manage or maintain the State Directory of New Hires. This bill requires the DES to cross-match its new hire records against the National Directory of New Hires. The DES currently cross matches its unemployment records against the National Directory of New Hires and the State Directory of New Hires.

There is no anticipated fiscal impact to DOLIR as a result of this section of the legislation. The Division of Employment Security's current operational procedures comply with this bill's requirements, with the exception of the newly required written reports to the general assembly.

However, this legislation does require the department utilize the Integrity Data Hub published by the UI Integrity Center of the National Association of State Workforce Agencies (NASWA). While the department is currently utilizing this hub, there may be future advances to other systems outside of the Integrity Data Hub that may be more helpful to the department and/or the subscription costs for NASWA may shift. By mandating that the department use the Integrity Data Hub specifically, it may prevent the department from using any future systems, and could result in future fiscal impact if the subscription costs associated with NASWA change.

DES note the required ITSD changes would include:

- 1) Implementation of Multi-factor authentication as part of online application for claimants' identity verification:
 - a) Updates to required fields completed by the claimant during claim filing concerning most recent employment to provide for additional data to identify/match suitable work.
 - b) Updates to interface with OWD
 - c) A match would result in a Work Item that may need to be modified for tracking and reporting purposes.
 - d) Reporting to include but not be limited to:
 - i. # of referrals.
 - ii. # of those where the claimant failed to respond/take action on the referrals.
 - iii. # of those claimants found to have taken appropriate action on referrals.

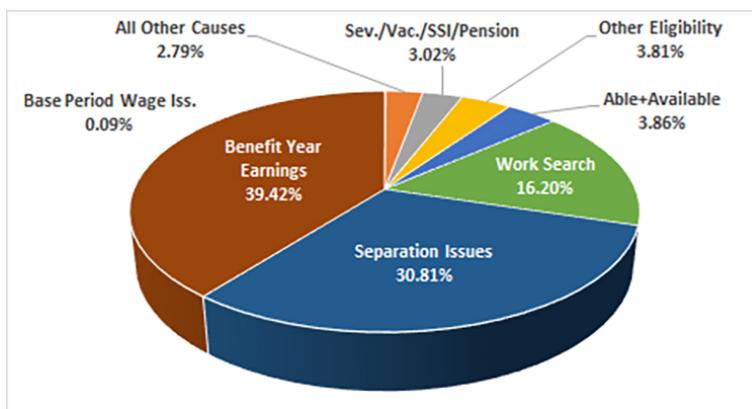
iv. Total amount of weeks/benefits denied as a result of failing to “participate in reemployment services.”

2) Update to login process for claimant along with Claim filing process and weekly certification process may be impacted after detailed requirement gathering.

Oversight notes that Department of Higher Education and Workforce Development (DHEWD) currently has an available website, jobs.mo.gov 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 accesses 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](#)

Average Annual Data of Unemployed in Missouri

State	Year	Quarter	Civilian Labor	Covered Employment	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 notes that the DES currently serves 102,325 unemployed Missourians annually (FY 2016-2019 excluding FY 2020 & 20201 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.

Lastly, **Oversight** notes the Section(s) 288.056 & 288.104 both shall become effective January 1, 2023. Therefore, **Oversight** will note 6 Month impact for FY 2023 in fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume an unemployment benefit 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 respective incomes. 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, for purpose of this fiscal note, **Oversight** will reflect a zero impact to the General Revenues and Other State Funds in the fiscal note.

Officials from the **Department of Corrections**, the **Office of Administration**, the **Office of Administration – Administrative Hearing Commission**, the **Department of Revenue**, the **Department of Higher Education and Workforce Development**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **Department of Social Services**, the **Department of Mental Health**, **Department of Health and Senior Services**, the **Missouri State University**, and the **University of Missouri System** 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.

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 from those claimants who 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.

Officials from the **City of Claycomo**, **City of Kansas City**, **City of O'Fallon**, **City of Springfield**, and the **City of Hughesville** 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 (6 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
Cost – DOLIR – Section 288.104 & 288.056 Overpayment Cross-check with various agencies	\$0 or	\$0 or	\$0 or
Salary	(\$146,752)	(\$299,373)	(\$305,361)
Fringe Benefits	(\$100,981)	(\$203,929)	(\$205,936)
Other Cost – ITSD changes	(\$47,952)	\$0	\$0
Total Cost - DOLIR	(\$295,685)	(\$503,302)	(\$511,297)
FTE change - DOLIR	7 FTE	7 FTE	7 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or</u> <u>(\$295,685)</u>	<u>\$0 or</u> <u>(\$503,302)</u>	<u>\$0 or</u> <u>(\$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 (6 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 two new provisions of law relating to employment security.

GETTING MISSOURIANS BACK TO WORK ACT OF 2022

(Section 288.056)

The act creates the Getting Missourians Back to Work 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.

EMPLOYMENT SECURITY PROGRAM INTEGRITY ACT OF 2022

(Section 288.104)

This act also creates the Employment Security Program Integrity Act of 2022.

Specifically, DES is required to:

- Utilize the Integrity Data Hub in order to ensure that only eligible individuals receive employment security benefits;
- Check its records of individuals receiving employment security benefits against the list of incarcerated individuals provided by the Department of Corrections to verify the eligibility of such individuals for employment security benefits;
- Check, on a weekly basis, its employment security rolls against the state death records;
- Check its new-hire records against the National Directory of New Hires to verify eligibility of individuals named in DES's new-hire records;
- Verify the identity of all unemployment compensation claimants;
- Perform a full eligibility review of any suspicious or potentially improper claims for unemployment compensation;
- Adopt and implement policies to prioritize and pursue the recovery of overpaid unemployment benefits;
- Attempt to recover all overpaid employment security benefits;
- Maintain records of all attempts to recover overpaid benefits.

DES must issue an annual report by December 31st to the General Assembly detailing its efforts to detect overpayments of employment security benefits due to nondisclosure or misrepresentation of material fact. A separate annual report shall be submitted by December 31st detailing the efficacy of its efforts at recovery and the types of measures that have been taken to prevent overpayment.

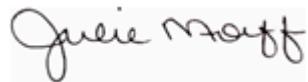
The act additionally requires any welfare agency, as defined in the act, to, upon receipt of information that an enrolled individual has become employed, notify DES for a determination as to whether the individual is still eligible for unemployment compensation.

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
Department of Corrections
Office of Administration – Budget & Planning
Office of Administration – Administrative Hearing Commission
Office of Administration
Department of Revenue
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Social Services
Department of Mental Health
Missouri Department of Conservation
Missouri Department of Transportation
University of Central Missouri
Missouri State University
City of Claycomo
City of Kansas City
City of O'Fallon
City of Springfield
City of Hughesville



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March 14, 2022



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March 14, 2022