Our COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0874S.02C
Bill No.: SCS for SB 21
Subject: Employment Security
Type: Original
Date: February 3, 2023

Bill Summary: This proposal modifies the duration of unemployment benefits based on the unemployment rate.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	More or Less than $685,184	More or Less than $685,184	More or Less than $685,184
Total Estimated Net Effect on General Revenue	**More or Less than $685,184**	**More or Less than $685,184**	**More or Less than $685,184**

*Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor's veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes, resulting in potential savings from the potential reduction in the maximum number weeks unemployment benefits may be paid.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Other State Funds*	More or Less than $357,663	More or Less than $357,663	More or Less than $357,663
Total Estimated Net Effect on Other State Funds	**More or Less than $357,663**	**More or Less than $357,663**	**More or Less than $357,663**

Numbers within parentheses: () indicate costs or losses.
*Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor's veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes, resulting in potential savings from the potential reduction in the maximum number weeks unemployment benefits may be paid.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Unemployment Insurance Trust Fund*	More than or Less than $50,233,328	More than or Less than $50,233,328	More than or Less than $50,233,328
Other Federal Funds	More or Less than $218,305	More or Less than $218,305	More or Less than $218,305
Total Estimated Net Effect on All Federal Funds	**More than or Less than $50,451,633**	**More than or Less than $50,451,633**	**More than or Less than $50,451,633**

*Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor's veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes, resulting in potential savings from the potential reduction in the maximum number weeks unemployment benefits may be paid.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ 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 2024	FY 2025	FY 2026
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

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

Section 288.036 is amended to add termination and severance pay as types of pay that shall be considered as wages for purposes of determining weekly unemployment benefit eligibility.

Section 288.060 is amended to remove the current language used to determine unemployment benefit duration and indexes the maximum number of weeks of unemployment benefits that are payable to the average statewide unemployment rate. The bill also modifies this section by removing a provision stating termination pay and severance pay shall not be considered wages regarding the calculation of partial benefits. For weeks in which an otherwise eligible claimant reports termination pay or 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 $1,086, and the average tenure of an employee over age 25 is 5.0 years.

During the 12-month period ending June 30, 2022, DOLIR made 54,756 initial payments.

Using the average weekly unemployment payment of $271.63, 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 savings of $0 to $3,718,343 is estimated for the Unemployment Insurance Trust Fund.

Calculation of UI Trust Fund Savings Estimate	
Average weeks of severance/termination pay	5.0
X Average unemployment payment	$271.63
Total severance/termination payments per claimant	$1,358.15
Initial payments – 1 year	54,756
X 5% Claimants receiving severance/termination payments	2,737.8
Total payments per claimant	$1,358.15
X Claimants receiving severance/termination pay	2,737.8
Estimated highest savings for Unemployment Trust Fund	***$3,718,343**

*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 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 $3,718,343.

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.

Section 288.060 is amended to remove the current language used to determine unemployment benefit duration and indexes the maximum number of weeks of unemployment benefits that are payable to the average statewide unemployment rate.

The unemployment rate used to determine the number of weeks available on the claim would be the statewide rate published by the United States Department of Labor, Bureau of Labor Statistics, on the date that the initial claim is filed. DES assumes the effective date of a claim will be the effective date of a claimant's benefit year.

The Division of Employment Security (DES) estimates eligible claimants receiving from $0 (no change) to $97.6 million **less** in regular unemployment insurance (UI) benefits if the indexing method is implemented. This chart, based on the current claims level, estimates a yearly decrease in benefits paid for each week reduction in the duration of unemployment benefits:

If Unemployment Rate Is	# Regular UI Weeks Reduced	Maximum Duration for Regular UI	Estimated Regular UI Benefits NOT Paid to Eligible Recipients (Trust Fund)	Incremental Difference For Additional Week
>9.0%	0 weeks (no change)	20 weeks		
8.6% - 9.0%	1 week	19 weeks	$5,724,964	$5,724,964
8.1% - 8.5%	2 weeks	18 weeks	$12,071,501	$6,346,980
7.6% - 8.0%	3 weeks	17 weeks	$18,718,482	$6,646,980
7.1% - 7.5%	4 weeks	16 weeks	$25,999,714	$7,281,232
6.6% - 7.0%	5 weeks	15 weeks	$33,768,505	$7,768,792
6.1% - 6.5%	6 weeks	14 weeks	$42,190,944	$8,422,438
5.6% - 6.0%	7 weeks	13 weeks	$51,067,295	$8,876,352
5.1% - 5.5%	8 weeks	12 weeks	$60,369,962	$9,302,997
4.6% - 5.0%	9 weeks	11 weeks	$69,690,056	$9,302,094
4.1% - 4.5%	10 weeks	10 weeks	$79,010,150	$9,302,094
3.6% - 4.0%	11 weeks	9 weeks	$88,330,244	$9,302,094
3.50%	12 weeks	8 weeks	$97,650,338	$9,302,094

If the number of individuals receiving benefits increases or decreases from current claim levels, the estimated amount of UI benefits not paid from the trust fund would also increase or decrease accordingly.

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 COVD–19 fluctuation in unemployment rates and as a potential outlier.

Oversight notes there is a change in the fiscal note if compared to similar legislation, HB 1409 from 2018. According to DOLIR the assumption was made that the amount of funding is based on the number of weeks paid which was incorrect, in fact the Federal funding for administration of the Unemployment Compensation Program is based on the number of initial claims processed, which they believe did not changed the impact of the proposal. Therefore, **Oversight** will not reflect any additional reduction to the Unemployment Compensation Administration Fund.

Oversight notes that the average duration of unemployment claims in last three years was 13.6 weeks rounded to nearest tenth.

Year	Quarter	Average Duration of Unemployment Past 12 Months.
2018	1	12.3
2018	2	12.1
2018	3	12.2
2018	4	12.3
2019	1	12.5
2019	2	12.8
2019	3	12.8
2019	4	12.9
2020	1	10.9
2020	2	10.7
2020	3	13.3
2020	4	13.9
2021	1	14.7
2021	2	20.9
2021	3	16.4
2021	4	15
2022	1	14.1
2022	2	15.6
2022	3	12.9
Average		**13.59**

Source: https://oui.doleta.gov/unemploy/data_summary/DataSummTable.asp

Oversight will note that U.S. DOL shows an average unemployment insurance rate in Missouri was 1.9% from 2018 to 2020 with 30% of total unemployed workers claiming maximum of 20 weeks at any time. (Source: https://oui.doleta.gov/unemploy/claims.asp) Since the actual average duration of unemployment payments in Missouri between 2018 and 2021 was 14 weeks (rounded); however, excluding 2020 to 2021 due to COVID shows average of 12.3 weeks (see above chart), and the current unemployment rate in Missouri is 2.7 % (https://meric.mo.gov/missouri-monthly-jobs-report) the claims would be limited to 8 weeks under the proposal. Therefore, **Oversight** will reflect a savings to the Unemployment Trust Fund of DOLIR's estimate of weekly incremental savings between weeks 12 and 8 ($9,302,997 +$9,302,997 x 4) = $46,514,985).

Official from the **Office of Administration (OA)** note:

Per section 288.060.5, the duration of benefits payable to any insured worker during any benefit year shall be limited to eight weeks if unemployment rate is at or below 3 ½%.

Currently, the duration of benefits payable to any insured worker during any benefit year is limited to thirteen weeks if the average unemployment rate is below 6%. This fiscal note would decrease this to eight weeks if the rate is below 3 1/2 %.

The number of state employees who drew unemployment benefits in FY22 was 1,208. The maximum unemployment benefits paid are $320 per week. Assuming all employees will draw the maximum 5 weeks less than in FY22, the maximum savings to the State would be $1.9 million. However, the unemployment benefit and weeks drawn varies by individual, therefore the savings will range from zero to $1.9 million.

The total was allocated between General Revenue, Federal and Other based on Office of Administrations Unemployment Payment Data for FY22.

Officials from the **Department of Natural Resources** and the **Department of Corrections (DOC)** both defer to the OA for the potential fiscal impact of this proposal.

Oversight notes the U.S. Department of Labor shows the average weekly benefits from 2016 to 2019 was $261 per week and average exhaustion of 12.3 week as shown in table below:

Table 1. Unemployment Data

State	Year	Quarter	Average Duration Past 12 Months	Insured Unemployment Rate	Average Weekly Benefits	Average Weekly Wage
			Weeks	(%)	$	$
MO	2016	1	NA	1.40	NA	$867
MO	2016	2	12.6	0.80	$253.0	$872
MO	2016	3	12.4	1.00	$249.8	$883
MO	2016	4	12.0	0.90	$249.6	$879
MO	2017	1	11.9	1.20	$262.3	$892
MO	2017	2	12.1	0.90	$261.3	$898
MO	2017	3	12.1	0.90	$259.5	$896
MO	2017	4	12.1	0.90	$253.6	$903
MO	2018	1	12.3	1.10	$268.6	$910
MO	2018	2	12.1	0.80	$268.0	$920
MO	2018	3	12.2	0.80	$265.7	$927
MO	2018	4	12.3	0.70	$256.7	$935
MO	2019	1	12.5	1.00	$269.4	$941
MO	2019	2	12.8	0.60	$267.5	$947
MO	2019	3	12.8	0.70	$264.7	$956
MO	2019	4	12.9	0.70	$258.4	$964
MO	2020	1	10.9	1.20	$273.4	$971
MO	2020	2	10.7	8.10	$269.9	$987
MO	2020	3	13.3	4.40	$246.5	$1,002
MO	2020	4	13.9	1.90	$239.7	$1,032
MO	2021	1	14.7	2.00	$256.5	$1,041

MO	2021	2	20.9	1.90	$262.4	$1,050
MO	2021	3	16.4	1.20	$259.5	$1,064
MO	2021	4	15.00	0.6	$273.0	$1,078
			12.3		**$260.7**	

Source: Dept. Labor Data 2016-2020 here

Oversight notes that not all unemployed workers who file for benefit use maximum benefits given. Additionally, Oversight did not use any data points published between 2020 and 2021 because, with the COVID – 19 pandemic the numbers would be unrealistically high.

Oversight notes that officials from the OA provided information that not all unemployment benefits paid in were paid from the General Revenue Fund, but instead using some Federal and Other State funds to fulfill the obligation.

Therefore, **Oversight** will reflect savings in amount of $1,261,152 ($261 x 4 weeks x 1,208 displaced (unemployed) workers with impact that could be less than or exceed $685,184 in General Revenue Fund (54.33%), $218,305 in Federal Funds (17.31%) and $357,663 in an Other State Funds (28.36%) on the fiscal note.

Officials from the **Missouri Department of Transportation (MODOT)** 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.

Officials from the **Northwest Missouri State University** assume the proposal would potentially have an impact of $3,000 to $10,000.

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

Oversight assumes above organizations are provided with core funding to handle a certain amount of activity each year. Oversight assumes above organizations could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, NMSU and UCM both could request funding through the appropriation process. Therefore, for purpose of this fiscal note, **Oversight** will assume zero impact to the above mentioned entities.

In response to the previous version of the proposal, officials from the **City of Kansas City** assume this legislation could have a positive fiscal impact on Kansas City in an indeterminate amount.

In response to the similar proposal, SB 665-2022, officials from the **City of O'Fallon** assumed, if enacted, the City will see a decrease in costs associated with unemployment. It is impossible to predict the cost savings, as the number of former employees on unemployment varies, and the unemployment rate obviously varies.

Oversight notes the above organizations have stated the proposal would have a direct fiscal impact on their organizations. The threshold balance of the Trust Fund is required to be met to trigger a discount for employers. Oversight notes the state government and larger municipal governments would not be impacted; however, smaller municipalities may be impacted (an increase in the threshold balance required to receive the discount may reduce the discounts received by smaller political subdivisions).

Oversight notes that reduction in collections of unemployment could modify the balance levels in the Unemployment Compensation Trust Fund at which employer contribution rates would be changed. Therefore, the proposed language would potentially allow a higher balance to be accumulated in the fund.

Oversight assumes the Board of Unemployment Fund Financing would have the option to issue debt instruments in place of federal loans. Oversight notes the debt instruments may have a higher interest rate than the federal loans, but Missouri employers could potentially avoid the reduction in state tax credit on federal unemployment taxes if federal loans are paid off with state financing instruments. This would tend to offset the additional interest cost of the state financing instruments.

However, for purpose of this fiscal note, **Oversight** will note zero impact due to the fluctuation of tax rate and collection potential at this time, as this represents indirect impact to the local governments and businesses.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
Savings – OA – Section 288.060 - 8 week unemployment State Employees (p.6)	More or Less $685,184	More or Less $685,184	More or Less $685,184
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**More or Less $685,184**	**More or Less $685,184**	**More or Less $685,184**
OTHER STATE FUNDS			
Savings – OA – Section 288.060 - 8 week unemployment State Employees (p.6)	More or Less $357,663	More or Less $357,663	More or Less $357,663

ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**More or Less $357,663**	**More or Less $357,663**	**More or Less $357,663**
UNEMPLOYMENT COMPENSATION TRUST FUND			
Savings – DOLIR- '287.036 - Severance Pay (p.3,4)	$0 to $3,718,343	$0 to $3,718,343	$0 to $3,718,343
Savings – DOLIR - '287.060. 5. (1) - Reduction of weekly benefits base on unemployment rate (p. 5-6)	More than or Less than $46,514,985	More than or Less than $46,514,985	More than or Less than $46,514,985
ESTIMATED NET EFFECT ON THE UNEMPLOYMENT COMPENSATION TRUST FUND	**More than or Less than $50,233,328**	**More than or Less than $50,233,328**	**More than or Less than $50,233,328**
OTHER FEDERAL FUNDS			
Savings – OA – Section 288.060 - 8 week unemployment State Employees (p.6)	More or Less $218,305	More or Less $218,305	More or Less $218,305
ESTIMATED NET EFFECT ON OTHER FEDERAL FUNDS	**More or Less $218,305**	**More or Less $218,305**	**More or Less $218,305**

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
	$0	**$0**	**$0**

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

SEVERANCE PAY

(Sections 288.036 and 288.060)

The 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.

DURATION OF UNEMPLOYMENT BENEFITS

(Section 288.060)

Under current law, the maximum duration for an individual to receive unemployment benefits is 20 weeks. This act modifies the duration an individual can receive such benefits by basing it on the Missouri average unemployment rate, as follows:
· 20 weeks if the Missouri unemployment rate is higher than nine percent;
· 19 weeks if the Missouri unemployment rate is higher than 8.5% but no higher than 9%;
· 18 weeks if the Missouri unemployment rate is higher than 8% but no higher than 8.5%;
· 17 weeks if the Missouri unemployment rate is higher than 7.5% but no higher than 8%;
· 16 weeks if the Missouri unemployment rate is higher than 7% but no higher than 7.5%;
· 15 weeks if the Missouri unemployment rate is higher than 6.5% but no higher than 7%;
· 14 weeks if the Missouri unemployment rate is higher than 6% but no higher than 6.5%;
· 13 weeks if the Missouri unemployment rate is higher than 5.5% but no higher than 6%;
· 12 weeks if the Missouri unemployment rate is higher than 5% but no higher than 5.5%;
· 11 weeks if the Missouri unemployment rate is higher than 4.5% but no higher than 5%;
· 10 weeks if the Missouri unemployment rate is higher than 4% but no higher than 4.5%
· 9 weeks if the Missouri unemployment rate is higher than 3.5% but no higher than 4%; and
· 8 weeks if the Missouri unemployment rate is at or below 3.5%.
These provisions take effect beginning January 1, 2024.

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 Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation
University of Missouri System
Missouri State University
University of Central Missouri
City of Kansas City
City of Springfield

Julie Morff
Director
February 3, 2023

Ross Strope
Assistant Director
February 3, 2023

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