COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3038-01
BILL NO.: SB 751
SUBJECT: Birth and Adoption Unemployment Compensation Program
TYPE: Original
DATE: January 28, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Unemployment Compensation Trust Fund	(Could Exceed $100,000)	(Could Exceed $100,000)	(Could Exceed $100,000)
Total Estimated Net Effect on All State Funds	**(Could Exceed $100,000)**	**(Could Exceed $100,000)**	**(Could Exceed $100,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal funds	($78,240)	$0	$0
Total Estimated Net Effect on All Federal Funds	**($78,240)**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	**$0**	**(Unknown)**	**(Unknown)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration - Division of Personnel** assume the proposal would have no fiscal impact to their agency.

Officials of the **Department of Labor and Industrial Relations (DOLIR)** note that individuals are generally denied unemployment compensation (UC) when (1) they quit their employer to be with their children, since the separation was not good cause attributable to the work or to the employer, or (2) when they are not available for full-time work. These are frequent reasons for separation and availability issues currently adjudicated and denied by the department. The proposal would change this and allow for payment of UC to these individuals for up to 12 weeks. It also exempts any one particular employer from being charged the 12 weeks of paid UC.

DOLIR officials assume the proposal would increase the number of individuals eligible to receive UC benefits and amount of UC paid. Under the proposal, an employee who quits an employer to be with their newborn could receive as much as $3,000 for 12 weeks in a benefit year established in 2001 ($250 weekly benefit amount multiplied by 12 weeks). Under the proposal no particular employer can be charged these additional benefits paid. This cost would be paid directly from the unemployment compensation trust fund (UCTF). This could create a substantial reduction in the balance of the UCTF, since the proposal does not replenish the fund. The UCTF is funded solely by employer contributions. Once the balance reaches certain levels, increased contribution rates to employers would be triggered to replenish the fund.

DOLIR officials note that at the end of 1999 the balance of the UCTF was an estimated $524 million. The department's analyst reports that under current law the balance is projected to drop substantially by December 31, 2001, triggering and maintaining a 30% increase to employers' calculated contributions rate for the following years. The proposal would cause further reduction of the balance, increasing the threat to the fund's solvency. Further depletion of the fund could require advances from the federal government in order to pay benefits as required by law. Repayment of these advances and the associated interest would place additional hardship on employers.

In addition, DOLIR officials assume that the proposal could cause some employers to change paid leave policies to be unpaid leave in order to reduce their costs by allowing UC payments to be made from the UCTF. This would increase costs and further deplete the UCTF.

ASSUMPTION (continued)

The DOLIR also assumes that an increase in the workload would also result. This increase could result in the need for additional staffing, which cannot be predicted at this time. In addition, they estimate the changes proposed would require extensive programming that would require an estimated 2,000 man hours at an hourly rate of $39.12 (the published billing rate for data processing personnel, including salary, benefits and related expenses such as office space, supplies and equipment). This would be an estimated one-time start-up cost of $78,240 for computer programming in the existing system, which would be charged to federal funds. DOLIR officials assume the cost for changing and printing notices and pamphlets would be part of the normal cost of operations.

Based on further information obtained from DOLIR, **Oversight** assumes there would be no direct fiscal impact to the state as an employer. The state of Missouri is classified as a "reimbursable employer," meaning rather than paying in quarterly contributions to the UCTF, the state is charged dollar for dollar when claims are made against the fund by state employees. DOLIR believes the provision in the proposal that prohibits compensation paid per the proposal to be charged to the account of an individual employer would also apply to reimbursable employers as is indicated by federal regulations that this proposal is patterned after. As a result, Oversight assumes that the state would not incur additional costs as an employer regardless of the amount of compensation paid to state employees under this proposal and even if employer contribution rates are increased in the future. However, significant costs would likely be incurred by the UCTF in the payment of unemployment compensation. Oversight assumes this amount cannot be reasonably estimated due to a number of unknown factors; however, it is likely that costs to the fund could exceed $100,000 in any given year. Oversight also assumes that future contributions to the fund from employers (other than reimbursable employers) could be increased to offset increased payments from the UCTF, although there would likely be timing differences. It is also likely that increased contributions from employers based on the balance in the UCTF may not offset dollar for dollar increased expenditures for unemployment compensation under this proposal in any given year. Therefore, Oversight has reflected potential net costs possibly exceeding $100,000 in any given fiscal year.

FISCAL IMPACT - State Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
UNEMPLOYMENT COMPENSATION TRUST FUND			
Costs-additional unemployment compensation benefits	(Could Exceed $100,000)	(Could Exceed $100,000)	(Could Exceed $100,000)

FISCAL IMPACT - State Government (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
UNEMPLOYMENT COMPENSATION TRUST FUND			
Income-increased assessments to employers	$0	Unknown	Unknown
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	**(Could Exceed $100,000)**	**(Could Exceed $100,000)**	**(Could Exceed $100,000)**

FISCAL IMPACT - Federal Funds	FY 2001 (10 Mo.)	FY 2002	FY 2003
FEDERAL FUNDS			
Costs-Department of Labor and Industrial Relations			
Programming costs	**($78,240)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
LOCAL GOVERNMENTS			
Costs-possible increased contributions to unemployment compensation trust fund	**$0**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

Small businesses would likely be fiscally impacted insofar as required contributions to the unemployment compensation trust fund would increase in the future.

DESCRIPTION

The proposal would establish a pilot project to be known as "The Birth and Adoption Unemployment Compensation Program." It would provide for unemployment compensation to be paid for a maximum of twelve weeks to individuals on leave of absence or who leave employment to be with their child during the first year of life or during the first year after adopting a child. Compensation paid would not be charged to the account of an individual employer.

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

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Director
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