

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4224-01
Bill No.: HB 1268
Subject: Employees-Employers; Employment Security; Labor and Industrial Relations
Dept., Unemployment Compensation
Type: Original
Date: January 28, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Unemployment Compensation Trust	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Accounting**, assume this proposal would have no impact on their organization.

Officials from the **Department of Labor and Industrial Relations, Division of Employment Security** (DES), did not respond to our request for information. In response to a similar proposal DES assumed the following:

Cost Savings

- Increased work-related misconduct penalties.

Cost Increases

- Increasing a claimant's weekly earnings without a benefit reduction.

Increased Income to the Unemployment Compensation Trust Fund

- Increased taxable wage base.
- Contribution rate increase provisions.

DES estimated that implementation of these provisions would cause an estimated reduction in interest charges to employers.

The cost for computer programming, reprinting forms and pamphlets due to changes created by the proposal would be absorbed through the normal costs of operations.

Oversight notes that the prior DES response was to a proposal materially different from the current proposal, making DES estimates of dollar amounts unreliable for this fiscal note. Oversight assumes there would be significant but unknown cost savings, cost increases, and increased income to the Unemployment Compensation Trust Fund. Oversight also assumes there would be significant but unknown cost increases and savings due to benefit reductions for local governments.

Oversight assumes that issuance of bonds to replenish the Unemployment Compensation Trust Fund by the Missouri Commission on Employment Security Financing, created by the proposal, would not result in increased revenues or expenditures to any state funds.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Income</u> - Division of Employment Security			
Increased contributions	Unknown	Unknown	Unknown
<u>Cost Reduction</u> - Division of Employment Security			
Decreased benefit payments	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2005 (10 Mo.)	 FY 2006	 FY 2007
LOCAL GOVERNMENTS			
<u>Cost Reduction</u>			
Decreased benefit payments	Unknown	Unknown	Unknown
<u>Cost</u> - Increased contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Small Business</u>			

This proposal would affect small businesses as a result of direct changes to their unemployment tax rates, and changes in benefits paid to former employees which in turn affect the businesses' experience ratings.

DESCRIPTION

This proposal would revise employment security laws as follows:

- The state taxable wage base would be \$10,000.
- If the balance in the Unemployment Compensation Trust Fund is less than \$350 million the wage base would increase by \$1,000 for the subsequent calendar year. If the balance in the Unemployment Compensation Trust Fund exceeds \$500 million, the wage base would decrease by \$500 for the subsequent calendar year.
- The maximum weekly benefit amount for years 2004 and 2005 would not exceed \$250. For years 2006 and 2007 the amount would not exceed \$255. For years 2008 and thereafter the amount would not exceed \$260.
- Claimants will not be considered ineligible for benefits if they are temporarily unemployed through no fault of their own or if they are participating in a state-approved drug or alcohol treatment program.
- Misconduct disqualification provisions would be added.
- Increases and decreases in employer contribution rates would increase or decrease based on a rate table. Increases would be triggered by a declining Unemployment Compensation Trust Fund balance and decreases would be triggered by an increasing balance.
- A new temporary solvency charge would be charged to employers.
- Procedures would be established for issuing bonds to replenish the Unemployment Compensation Trust Fund.

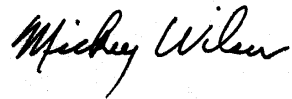
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Accounting

NOT RESPONDING

Department of Labor and Industrial Relations
Division of Employment Security

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 28, 2004