

HCS HB 1268 & 1211 -- EMPLOYEES

SPONSOR: Hunter (Smith, 118)

COMMITTEE ACTION: Voted "do pass" by the Committee on Workforce Development and Workplace Safety by a vote of 9 to 7.

This substitute requires the Division of Employment Security on a weekly basis to cross-check Missouri unemployment compensation recipients against any data base containing states' wage information which is maintained by the federal government.

The substitute also makes changes in unemployment insurance. Those changes include:

(1) The terms "misconduct," "temporary employee," and "temporary help firm" are defined;

(2) Severance pay is deductible from unemployment benefits;

(3) The state taxable wage base for calender year 2004 will be \$10,000. Thereafter, the wage base will be determined by the balance in the Unemployment Compensation Trust Fund, less any outstanding Federal Title XII advances and the principal, interest, and administration expenses related to any bonds issued;

(4) If the balance in the Unemployment Compensation Trust Fund is less than \$350 million, the wage base will increase by \$1,000 for the subsequent year. If the balance in the fund exceeds \$500 million, the wage base will decrease by \$500 for the subsequent calender year;

(5) In no event will the state taxable wage base decrease to less than \$7,000;

(6) The maximum weekly benefit amount for years 2004 and 2005 is \$250. For years 2006 and 2007, the amount will be \$255. For years 2008 and thereafter, the amount will be \$260;

(7) Claimants will not be considered ineligible for benefits if they are participating in a state-approved drug or alcohol treatment program;

(8) Suspensions of four weeks or more will be treated as discharge;

(9) A temporary employee of a temporary help firm will have voluntarily quit employment if the employee does not contact the firm for reassignment prior to filing for benefits. A temporary

employee is to be advised of this requirement;

(10) An offer to work is established when an employer sends a notification by certified mail to the worker's last known address;

(11) If a claimant is discharged for misconduct, no benefits are to be paid or charged against the employer for any period of employment within the base period until the claimant earned wages under the unemployment law;

(12) If a claimant is disqualified a second time within or subsequent to the base period, the claimant is required to earn wages at least eight times the claimant's weekly benefit amount for each disqualification;

(13) Statewide elected officials and members of the General Assembly are removed from qualification for unemployment benefits pertaining to their elected position;

(14) The recalculation procedure for the contribution rate for a successor employer based upon the combined experience of all predecessor and successor employers is provided in the substitute;

(15) If the balance in the Unemployment Compensation Trust Fund for the four preceding quarters falls between \$450 million and \$400 million, the employer's contribution rate will be increased for the succeeding four quarters by 10%. If the balance falls between \$400 million and \$350 million, the rate will be increased by 20%. If the balance falls below \$350 million, the rate will increase by 30%. The employer's total contribution rate will equal the employer's base rate plus a temporary solvency charge of one-tenth of 1% added to the percentage increases;

(16) Payback provisions for bonds and limitations on the use of proceeds from the sale of bonds are provided in the substitute; and

(17) The one-week period which is currently to be compensated if the claimant is unemployed for nine consecutive weeks is repealed.

The substitute also creates the Missouri Commission on Employment Security Financing. The commission is authorized to sell bonds, not to exceed \$350 million, that result in avoiding borrowing under federal legislation or in an amount to refinance any previous state borrowing. Prior to any bond issuance, the commission must make an affirmative finding that the issuance of bonds results in a savings to the state and to employers. Bonds

are to be repaid in no more than five years from the time of issuance and do not constitute a debt of the state. The composition, additional responsibilities, and limitations of the commission are provided in the substitute. Standard bonding provisions are also provided.

Provisions for confidentiality of information received by the Division of Employment Security are provided, and any person violating those provisions is guilty of a class D felony. Any person or entity perpetrating fraud or misrepresentation under the provision of the unemployment security chapter for which a penalty has not been specifically provided is guilty of a class A misdemeanor and liable to the state for a civil penalty not to exceed \$10,000 or double the fraud, whichever is the greater. A person or entity guilty of a subsequent violation is guilty of a class D felony.

FISCAL NOTE: Estimated Net Cost on General Revenue Fund of \$0 in FY 2005, \$16,050,668 in FY 2006, and \$158,059,398 in FY 2007. Estimated Net Income on Other State Funds of \$112,332,911 in FY 2005, \$149,961,606 in FY 2006, and \$117,355,550 in FY 2007.

PROPOSERS: Supporters say that the use of bonding makes good fiscal sense, and employers don't want to lose FUTA credits. The insolvency of the Unemployment Compensation Trust Fund will not be corrected by improvement in the condition of the national economy and therefore requires a legislative adjustment.

Testifying for the bill were Representative Smith (118); Rick Temple; Missouri Chamber of Commerce and Industry; Associated Industries of Missouri; Associated General Contractors of Missouri; Missouri Merchants and Manufacturers Association; Ford Motor Company; and National Federation of Independent Business.

OPPOSERS: Those who oppose the bill say that Missouri has one of the worst unemployment compensation programs in the country, the insolvency of the Unemployment Compensation Trust Fund must be corrected, and benefits need to be improved.

Testifying against the bill were AFL-CIO; UAW Missouri State CAP Council; Carpenters' District Council of Greater St. Louis; Carpenters' District Council of Kansas City; and Missouri Laborers.

Roland Tackett, Legislative Analyst