

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4598-05  
Bill No.: SCS for HCS for HB 1456  
Subject: Employees - Employers; Employment Security  
Type: Original  
Date: April 24, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Unemployment Compensation Trust	\$4,000,174	\$5,024,048	\$3,240,030
Various	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$4,000,174 to Unknown</b>	<b>\$5,024,048 to Unknown</b>	<b>\$3,240,030 to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Various	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Local Government</b>	<b>\$120,181</b>	<b>\$210,786</b>	<b>\$188,374</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from **Jefferson County** and the **Department of Economic Development, Division of Workforce Development** assumed that a previous version of this proposal would have no fiscal impact on their organizations.

Officials from the **University of Missouri** assumed that a previous version of this proposal would have little or no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Accounting (OA)** assume this proposal would result in significant savings to the General Revenue Fund and to other state and federal funds.

**Oversight** assumes this proposal would result in unknown savings to the state and federal funds.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations** (DOL) assume this proposal would result in savings to the state and to local governments, and that the overall impact would be increased balances in the Unemployment Compensation Trust Fund.

Governmental agencies and not-for-profit organizations have the option to reimburse the trust fund in lieu of making quarterly contributions. To more clearly define the impact, the costs are distributed among: (1) cost to local government and (2) cost to the UCTF. The UCTF is funded by employer contributions and reimbursements in lieu of contributions. The UCTF is strictly for the payment of unemployment insurance (UI) benefits.

It is the DOLIR's understanding that the Office of Administration is responding to the impact of this proposal on state government and to determine if any of the proposed changes that might adversely impact the state's ability to use alternate financing; further, it is the DOLIR's assumption the Division of Workforce Development within the Department of Economic Development will provide fiscal impact estimates regarding the provisions in §288.040.1(6)(b).

To arrive at fiscal impact estimates, the DES utilizes the Benefit Financing Model established by the USDOL and works with USDOL actuarial staff to make the necessary adjustments to the model to forecast the impact of proposed legislation. Several quantifiable provisions in the proposal HCS HB 1456 would change the way the benefits are calculated and paid. These changes include:

- 1) changing the formula whereby the claimant's weekly benefit amount (WBA) is calculated;
- 2) amending the existing drug and alcohol related misconduct provisions;
- 3) changing the penalty for misconduct when a claimant has committed multiple disqualifying acts; and
- 4) provisions are added giving the DES additional tools to use when recovering overpayments.

ASSUMPTION (continued)

In total the provisions of this bill will result in a reduction in benefits paid as follows: FY 2007 - \$4,276,092; FY 2008 - \$6,931,866, and FY 2009 - \$5,838,435. Included in these figures are impacts from the four provisions listed above, and the interactions they have with other trust fund financing components on the benefit side of the model. Depending upon the average weekly benefit amount (AWBA) and the total weeks compensated (TWC) during a given year, the impact of a specific provision varies. The DES estimates that changing the WBA calculation will result in a savings of approximately \$1.9 million in FY 2007, and a savings of \$1.9 million in FY 2008. Amending the existing drug and alcohol related misconduct language is estimated to result in approximately \$290,000 in savings during FY 2007, approximately \$450,000 in savings in FY 2008, and approximately \$500,000 savings in FY 2009. Changing the penalty for misconduct when a claimant has committed multiple disqualifying acts is estimated to save approximately \$1.6 million in FY 2007, approximately \$2.7 million in FY 2008, and approximately \$3.1 million in FY 2009. Lastly, the provisions that provide additional overpayment recovery tools to the DES are estimated to result in a trust fund savings of \$430,000 in FY 2007 and approximately \$700,000 in FY 2008 & \$820,000 in FY 2009.

The proposed changes also have an impact on the contributions the DES is projected to receive. This reduction in contributions is attributable to the interaction between benefits paid and the experience rating system used to calculate an employer's contribution rate. As the total amount of benefits is reduced in a given year, the charges attributable to given employer is also reduced. This results in a higher experience ratio being earned, and therefore, a lower contribution rate is assigned resulting in fewer contributions being received. The reduction in contributions received is estimated as follows: FY 2007 - \$275,918; FY 2008 - \$1,907,818; and FY 2009 \$2,598,405.

The combined fiscal impact of this proposal will result in a net savings to the UCTF as follows: in FY 2007 - \$4,000,174; FY 2008 - \$5,024,048; and FY 2009 - \$3,240,030. Included in these totals are savings to local governments as follows: FY 2007 - \$120,181; FY 2008 - \$210,786; and FY 2009 - \$188,374.

DOLIR officials stated that the provisions of this legislation would impact all businesses; however, the economic impact on small business alone cannot be determined.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE FUND</b>			
<u>Cost reduction</u> - Office of Administration Benefit reimbursements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>
<b>OTHER STATE FUNDS</b>			
<u>Cost reduction</u> - Office of Administration Benefit reimbursements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>
<b>FEDERAL FUNDS</b>			
<u>Cost reduction</u> - Office of Administration Benefit reimbursements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Revenue reduction</u> - Employment Security			
Contributions	(\$275,918)	(\$1,907,818)	(\$2,598,405)
<u>Cost reduction</u> - Employment Security Benefits	\$4,276,092	\$6,931,866	\$5,838,435
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND</b>	<b><u>\$4,000,174</u></b>	<b><u>\$5,024,048</u></b>	<b><u>\$3,240,030</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>LOCAL GOVERNMENTS</b>			
Cost reduction - local governments Benefit reimbursements and contributions	<u>\$120,181</u>	<u>\$210,786</u>	<u>\$188,374</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$120,181</u></b>	<b><u>\$210,786</u></b>	<b><u>\$188,374</u></b>

FISCAL IMPACT - Small Business

This proposal would be expected to have a direct positive fiscal impact to small businesses as a result of the provisions reducing benefits paid and contributions made by employers.

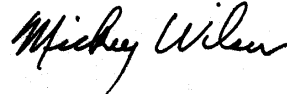
### DESCRIPTION

This proposal would change several provisions related to the Missouri Unemployment Compensation program:

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  
Department of Economic Development  
Division of workforce Development  
Jefferson County  
University of Missouri



Mickey Wilson, CPA  
Director  
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