

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3582-01  
Bill No.: HB 1650  
Subject: Business and Commerce; Employees - Employers; Employment Security  
Type: Original  
Date: January 29, 2008

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Bill Summary: This proposal allows a small business to pay unemployment directly to a claimant or pay a claimant through its unemployment insurance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
UC Administration Fund	(\$0 to \$34,000,000)	(\$0 to \$34,000,000)	(\$0 to \$34,000,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$0 to \$34,000,000)</b>	<b>(\$0 to \$34,000,000)</b>	<b>(\$0 to \$34,000,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume the federal government and state governments are jointly responsible for administering the unemployment insurance (UI) system. State laws must meet certain federal requirements for the state agency to receive administrative grants needed to operate its UI program and employers to qualify for certain tax credits.

Section 303(a) provides that there shall be no certification for payment to any state unless the Secretary of Labor finds the law of the state includes provision for specifically enumerated requirements. Section 303(a)(2) requires payment of benefits through public employment offices or through other approved agencies. The proposed language may raise an issue with federal unemployment compensation law and as a result jeopardize the certification of the state's UI program. If the program fails to be certified, Missouri would lose \$34 million in federal funds the state receives to administer the UI program.

The Federal Unemployment Tax Act (FUTA) imposes a 6.2% payroll tax on employers. Most employers never actually pay the total 6.2% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4% against the payroll tax if the state UI law is approved by the Secretary of Labor. The proposed legislation may cause Missouri's program to fail to be certified. As a result, Missouri employers could lose \$977 million annually in FUTA credits.

Officials at the **Department of Economic Development's Workforce Development Division** and the **Department of Insurance, Financial Institutions and Professional Registration** assume that there is no fiscal impact from this proposal.

**Oversight** assumes it is unclear whether the state would lose its unemployment insurance federal funds. Oversight has shown the potential loss as a range from \$0 to \$34,000,000.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>UC ADMINISTRATION FUNDS</b>			
<u>Loss - DOLIR</u>			
unemployment insurance payments	(\$0 to \$34,000,000)	(\$0 to \$34,000,000)	(\$0 to \$34,000,000)
<b>ESTIMATED NET EFFECT ON UC ADMINISTRATION FUNDS</b>	<b>(\$0 to \$34,000,000)</b>	<b>(\$0 to \$34,000,000)</b>	<b>(\$0 to \$34,000,000)</b>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

Business owners could possibly lose payroll tax credits estimated at \$997 million annually.

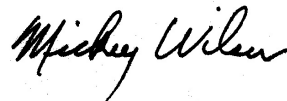
FISCAL DESCRIPTION

This bill allows a small business to pay unemployment compensation either directly to a claimant to preclude increases in unemployment insurance or pay a claimant through its unemployment insurance. A "small business" is specified as a for-profit enterprise with fewer than 100 full or part-time employees.

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 Economic Development  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Labor and Industrial Relations

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

Mickey Wilson, CPA  
Director  
January 29, 2008