COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4246-04
Bill No.: SCS for HCS for HB 1544
Subject: Unemployment Compensation; Employment Security; Federal - State Relations
Type: Original
Date: February 26, 2010

Bill Summary: Allows the state to continue to receive extended federal unemployment benefit funds and extends participation in the shared work plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Unemployment Compensation Trust Fund	Unknown up to $28,000,000	Unknown up to $28,000,000	Unknown up to $28,000,000
Total Estimated Net Effect on All Federal Funds	**Unknown up to $28,000,000**	**Unknown up to $28,000,000**	**Unknown up to $28,000,000**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** state there are two sections of the proposed language which affects DOLIR.

"State 'on' indicator"
The first proposes two technical changes followed by language that would modify the "state 'on' indicator" for unemployment compensation.

The first technical change appears between 288.062.1(2)(a) and 288.062.1(2)(b) with the second technical change appearing at the end of 288.062.1(2)(b). The "and" proposed between (a) and (b) would clarify that both conditions have to be satisfied to trigger "on" extended benefits, unless otherwise noted. The second technical change would clarify that 288.062.1(2)(c) is intended to be a stand-alone provision. The proposed language does not create a fiscal impact.

The language proposed that modifies the "state 'on' indicator", would allow Missouri to continue to participate in the 100% federal reimbursement of extended benefits paid to most claimants. In order to remain triggered "on" for extended benefits, legislation must be passed that would remove the hard trigger "off" date that was contained in HB 1075 and replace it with a soft date that will allow Missouri to remain triggered "on" during periods of 100% federal funding of extended benefits. This proposal removes the hard trigger "off" date that was contained in HB 1075, while offering language to sunset Missouri's ability to remain triggered "on" for extended benefits. Extended benefits paid to individuals who work for state and local government entities and Indian Tribes are not subject to federal sharing of extended benefits because these organizations do not pay federal unemployment taxes.

Claimants who are exhausting all regular and Emergency Unemployment benefits and who are determined eligible could receive up to an additional 20-weeks of 100% federal funded extended benefits.

The modification to the "state 'on' indicator" does not create a fiscal impact to the Trust Fund.

Shared Work Program
This proposed legislation will allow all employers that participate in Missouri's shared work program greater flexibility in managing their workloads and work schedules. It allows participating employers an alternative to full-time layoffs. With a layoff there is always the possibility that an employee who was laid off may find other employment and not return when called back to work. As a consequence, the employer loses a trained and experienced employee.

ASSUMPTION (continued)

The shared work program will help employers retain their valuable employees who will also be allowed to keep all benefits afforded by said employers during this time.

Shared work employees are allowed to receive up to 40% of their weekly unemployment benefits in return for working reduced work hours. The shared work benefits are not reduced due to earnings. This legislation will allow shared work employers to adjust work week schedules by reducing work hours for up to 52 weeks in their plan year. The current law allows individuals to receive a maximum of 26 weeks of shared work unemployment benefits.

Missouri statutes set the maximum weekly unemployment benefit amount at $320. Eligible individuals may receive regular unemployment insurance benefits for up to 26 weeks. The maximum amount of regular unemployment benefits an individual may be entitled to is $8,320 ($320 x 26 weeks).

Under the current shared work program with a 40% reduction in work hours (maximum allowed), an eligible individual who is entitled to the maximum weekly benefit amount of $320 may receive up to $128 ($320 x 40%) per week in shared work benefits.

Under this legislative proposal, the maximum amount of shared work unemployment benefits an individual would be entitled to would be $6,656 ($128 x 52 weeks). Under this scenario, the potential trust fund savings would be $1,664 ($8,320 - $6,656) per worker.

As of November 2009, the Division of Employment Security (DES) had 535 employers participating in the shared work program. Using actual data from January 2009 through November 2009 (most recent available), the DES paid over $16.5 million in shared work benefits to 15,534 individuals, totaling 238,035 weeks of paid shared work benefits.

If the Shared Work program was not available and these employers had been forced to temporarily or permanently close their businesses, it is estimated these employees would have received approximately $61 million in regular unemployment insurance benefits. The difference between the cost of shared work benefits and regular unemployment insurance benefits in this particular example is an estimated $44.5 million.

Assuming this legislative proposal doubles the amount of shared work benefits paid ($33 million) because of a 26 week addition; it still results in an overall savings to the trust fund of approximately $28 million during the defined period.

ASSUMPTION (continued)

Just as importantly, this proposal would allow additional relief to employers in need of reducing labor costs in a tough economy while allowing workers to maintain healthcare benefits and other employment benefits.

NOTE: It is impossible for the Department to compute the precise impact on the trust fund as employers have multiple options they may contemplate before deciding on shared work. These options include closing the business, partial layoffs, or reducing hours of work. All of these variables change the actual calculation of the impact and are unique to the individual employer.

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
UNEMPLOYMENT COMPENSATION TRUST FUND			
Savings - Trust Fund	Unknown up to $28,000,000	Unknown up to $28,000,000	Unknown up to $28,000,000
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	**Unknown up to $28,000,000**	**Unknown up to $28,000,000**	**Unknown up to $28,000,000**

FISCAL IMPACT - Local Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal would allow an employer to keep trained employees on staff. The economic impact on small businesses would depend on the action taken by the employer.

FISCAL DESCRIPTION

This bill extends the state's eligibility to receive federal extended unemployment benefit money to provide unemployed individuals compensation beyond the current unemployment benefit period that ended December 5, 2009. The state is eligible to receive this money until the week ending prior to the last week of unemployment for which 100% federal sharing is available under the provisions of Public Law 111-5, Section 2005(a) of the American Recovery and Reinvestment Act of 2009, commonly known as the federal economic stimulus act.

This bill increases, from 26 to 52, the number of weeks an individual is eligible to receive shared work benefits under the Shared Work Unemployment Compensation Program in the Division of Employment Security within the Department of Labor and Industrial Relations.

The bill contains an emergency clause.

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

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