

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4907-01
Bill No.: HB 1987
Subject: Employment Security, Labor and Industrial Relations Department
Type: Original
Date: February 11, 2010

Bill Summary: Increases from twenty-six weeks to fifty-two 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.

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 <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 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 <u>All</u> 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** assume this proposed legislation will allow all employers that participate in Missouri's shared work program greater flexibility in managing their workloads and work schedules. The shared work program 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. 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.

JH:LR:OD

ASSUMPTIONS (continued)

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.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Savings - Trust Fund</u>	<u>Unknown up to \$28,000,000</u>	<u>Unknown up to \$28,000,000</u>	<u>Unknown up to \$28,000,000</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND			
	<u><u>Unknown up to \$28,000,000</u></u>	<u><u>Unknown up to \$28,000,000</u></u>	<u><u>Unknown up to \$28,000,000</u></u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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.

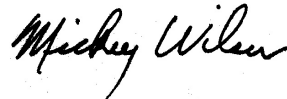
FISCAL DESCRIPTION

This bill 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.

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



Mickey Wilson, CPA
Director
February 11, 2010