

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6339-01
Bill No.: HB 2093
Subject: Unemployment Compensation; Employees - Employers
Type: Original
Date: March 27, 2014

Bill Summary: This proposal would modify the definition of employment as it relates to the state's employment security program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> 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 2015	FY 2016	FY 2017
Unemployment Compensation Administration Trust	\$0 or (\$40,000,000)	\$0 or (\$40,000,000)	\$0 or (\$40,000,000)
Job Development and Training	\$0 or (\$13,000,000)	\$0 or (\$13,000,000)	\$0 or (\$13,000,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (\$53,000,000)	\$0 or (\$53,000,000)	\$0 or (\$53,000,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** provided the following response.

DOLIR officials noted the proposal would change the definition of employment as it relates to employment security. The changes would exempt from consideration as employment "Services performed for board, lodging, aid, or sustenance received from any religious, charitable, or relief organization."

DOLIR officials reported the United States Department of Labor (USDOL) has informally reviewed HB 2093 for conformity with federal unemployment compensation (UC) law and noted the Federal Unemployment Tax Act (FUTA) provides that "wages means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash....". Thus, if service is performed in an employment relationship, the fact that the remuneration is provided in the form of "board, lodging, aid or sustenance" is not a basis for excluding the value of that remuneration from being considered wages.

ASSUMPTION (continued)

DOLIR officials noted that based on the USDOL interpretation of this legislation, as written, the proposal would create a federal conformity issue for Missouri. State laws must meet certain federal requirements for the state agency to receive the administrative grants needed to operate its UC program, and for employers to qualify for certain tax credits.

Non-conformity with federal law could jeopardize the certification of Missouri's UC program. If the program is not certified, Missouri would lose approximately \$40 million in federal funds the DES receives to administer the UC program and approximately \$13 million the Department of Economic Development - Division of Workforce Development receives to administer Wagner-Peyser services each year. Additionally, Missouri employers would lose approximately \$880 million annually in FUTA credits if Missouri's UC program is out of compliance or out of conformity.

Oversight requested additional information from DOLIR officials, and DOLIR officials responded that potential nonconformity issues were treated individually; if this proposal was implemented and found to be a conformity issue, the USDOL would initiate a process to remove funding for the state's UC and Wagner-Peyser Act funding.

Oversight will indicate the fiscal impact of this proposal as \$0 or the DOLIR estimate of impact due to the uncertainty of federal action on the potential conformity issue.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Revenue reduction - DOLIR</u>	\$0 or	\$0 or	\$0 or
Loss of federal funding	<u>(\$40,000,000)</u>	<u>(\$40,000,000)</u>	<u>(\$40,000,000)</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	\$0 or <u>(\$40,000,000)</u>	\$0 or <u>(\$40,000,000)</u>	\$0 or <u>(\$40,000,000)</u>
JOB DEVELOPMENT AND TRAINING FUND			
<u>Revenue reduction - DOLIR</u>	\$0 or	\$0 or	\$0 or
Loss of federal funding	<u>(\$13,000,000)</u>	<u>(\$13,000,000)</u>	<u>(\$13,000,000)</u>
ESTIMATED NET EFFECT ON JOB DEVELOPMENT AND TRAINING FUND	\$0 or <u>(\$13,000,000)</u>	\$0 or <u>(\$13,000,000)</u>	\$0 or <u>(\$13,000,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which could qualify to exclude certain employees from unemployment insurance contributions.

FISCAL DESCRIPTION

This bill would exclude services performed for board, lodging, aid, or sustenance received from any religious, charitable, or relief organization from the definition of employment for purposes of determining eligibility for unemployment compensation benefits.

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 the Secretary of State
Joint Committee on Administrative Rules
Department of Labor and Industrial Relations

Mickey Wilson, CPA
Director
March 27, 2014



Ross Strobe
Assistant Director
March 27, 2014