

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0834-01
Bill No.: Perfected HB 278
Subject: Labor and Industrial Relations, Department of; Employment Security
Type: Original
Date: March 14, 2019

Bill Summary: This proposal modifies employment security provisions relating to employer reports.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue | \$0 to Less than \$100,000 | \$0 to Less than \$100,000 | \$0 to Less than \$100,000 |
| Total Estimated Net Effect on General Revenue | \$0 to Less than \$100,000 | \$0 to Less than \$100,000 | \$0 to Less than \$100,000 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------------------------------|------------------------------------|------------------------------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| Unemployment Compensation Administration Fund (0948) | \$23,169 | \$49,327 | \$49,756 |
| Unemployment Trust Fund | \$0 to (Less than \$100,000) | \$0 to (Less than \$100,000) | \$0 to (Less than \$100,000) |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 to (Less than \$76,831) | \$0 to (Less than \$50,673) | \$0 to (Less than \$50,244) |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| Local Government | \$0 to Less than \$100,000 | \$0 to Less than \$100,000 | \$0 to Less than \$100,000 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state:

Division of Employment Security (DES):

This bill amends Section 288.160 to allow assessments to be delivered using certified mail to the last known address of the employer. Previously this notice was required to be delivered by registered certified mail.

| III. Cost Avoidance (Savings) | FY 2020 | FY 2021 | FY2022 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Salaries | \$0 | \$0 | \$0 |
| Fringe Benefits | \$0 | \$0 | \$0 |
| Equipment and Expense | \$0 | \$0 | \$0 |
| Other Sources (Postage savings) | \$44,268 | \$53,652 | \$54,189 |
| TOTAL FUND SAVINGS | \$44,268 | \$53,652 | \$54,189 |
| ESTIMATED NET EFFECT ON FUND | \$44,268 | \$53,652 | \$54,189 |

Currently, the price to send an assessment by certified with a return receipt is \$6.70 and \$3.45 to send an assessment by certified mail. The DES estimates that in 2017, 16,345 assessments (for both claimant and employers) were sent by certified mail with a return receipt. The cost of DES to mail the assessments was \$109,511.50. If the DES was permitted to send the assessments by certified mail this would be an estimated savings of \$53,121.25.

ITSD:

In the UInteract system, there are three kinds of correspondence, which are General, Certified and Registered. Requirement is to change the Registered correspondence to Certified; therefore, all Registered correspondences will need to be changed to a Certified correspondence in the system.

ITSD has completed the analysis of the UInteract system and identified all Registered correspondences. The analysis results were shared with Department of Employment Security management. They reviewed and agreed the Registered correspondence needs to be Certified.

ASSUMPTION (continued)

In summary, DOLIR assumes there will be a need for IT consultants (\$111 x 190.08 hours = \$21,099) for FY 2020. There will be ongoing maintenance of \$4,325 in FY 2021 and \$4,443 in FY 2022.

Officials from the **City of Kansas City** and **City of Columbia** both assume the proposal will have no fiscal impact on their organization.

Oversight notes that the City of Kansas City and City of Columbia have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

House Amendment (HA) 1:

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the proposal will have no fiscal impact on their organization.

In response to similar legislation SB 157 from 2019, officials from the **Office of Administration** stated that under current law, employers are not required to pay unemployment benefits if an employee has worked for the employer for less than 28 days, and the employer reported the employee as a probationary employee. This would extend the period to 90 days. This bill could have a positive fiscal impact if OA utilized this provision. However, OA does not have many employees who separate from employment within the first 90 days. In the last quarter of 2018, OA paid unemployment benefits totaling \$11,683 to eight employees. Only one of those employees had been employed less than 90 days at the time of separation. Utilizing this provision would have saved OA \$1,460 for that quarter (assuming all employees were paid equal amounts). However, it is unknown how many employees this would be applicable to in the future. Therefore, the impact of this bill is \$0 to a positive unknown.

Oversight notes the proposal does not impact the eligibility requirements to receive unemployment benefits, however the proposal increases the period in which employers can evaluate probationary workers.

ASSUMPTION (continued)

Oversight notes that according to DOLIR the only way to recognize if a probationary worker was employed 28 days or less is if the employer checks the box on the wage report as required by regulation and provides the starting date and ending date. At this time, there are no beginning and ending employment date reporting requirements for non probationary workers. Therefore there is not currently any data to estimate how many employment security benefits have been paid out to persons employed between 28-90 days.

Oversight notes under this proposal charges shall not be made against the unemployment benefits account of an employer with respect to benefits paid to any individual unless that individual was employed for longer than a probationary period of 90 days. This change could result in potential minimal savings to the state and local political subdivisions of an unknown amount in certain circumstances. Additionally, this proposal could result in potential minimal loss of revenue to the Unemployment Trust Fund for those instances in which individuals become unemployed during the 28-90 day probationary period. Oversight is unable to determine how many employees the provision would be applicable to in the future. Therefore, Oversight will reflect a zero to less than \$100,000 positive fiscal impact to general revenue and a zero to less than \$100,000 negative fiscal impact to the unemployment trust fund.

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|--|--|--|--|
| GENERAL REVENUE | | | |
| <u>Savings</u> - potential less unemployment benefits paid for probationary employees between 28 and 90 days | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> |
| UNEMPLOYMENT TRUST FUND | | | |
| <u>Loss</u> - DOLIR Employment Security Benefits from non-charged employers | \$0 to (Less than <u>\$100,000</u>) | \$0 to (Less than <u>\$100,000</u>) | \$0 to (Less than <u>\$100,000</u>) |
| NET EFFECT ON THE UNEMPLOYMENT TRUST FUND | \$0 to (Less than <u>\$100,000</u>) | \$0 to (Less than <u>\$100,000</u>) | \$0 to (Less than <u>\$100,000</u>) |

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|--|--|--|--|
| UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND | | | |
| <u>Savings</u> - DOLIR Postage | <u>\$44,268</u> | <u>\$53,652</u> | <u>\$54,189</u> |
| <u>Cost</u> - IT Consultants | <u>(\$21,099)</u> | <u>(\$4,325)</u> | <u>(\$4,433)</u> |
| NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND | <u>\$23,169</u> | <u>\$49,327</u> | <u>\$49,756</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Savings</u> - potential less unemployment benefits paid for probationary employees between 28 and 90 days | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> |
| NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> | \$0 to Less than <u>\$100,000</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill allows the Division of Employment Security to serve by certified mail, written notice to an employer that has failed to file certain reports required by law.

Under current law, charges shall not be made against the unemployment benefits account of an employer with respect to benefits paid to any individual unless that individual was employed for longer than a probationary period of 28 days.

FISCAL DESCRIPTION (continued)

This act extends that probationary period to 90 days.

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
Office of Administration
City of Kansas City
City of Columbia



Kyle Rieman
Director
March 14, 2019

Ross Strobe
Assistant Director
March 14, 2019