COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0894-01
Bill No.: Perfected HB 332
Subject: Employment Security; Employees - Employers; Labor and Management
Type: Original
Date: April 3, 2019

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

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
Unemployment Automation Fund	Up to $4,000,000	Up to $4,000,000	Up to $4,000,000
Total Estimated Net Effect on Other State Funds	**Up to $4,000,000**	**Up to $4,000,000**	**Up to $4,000,000**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Unemployment Trust Fund	Up to ($4,100,000)	Up to ($4,100,000)	Up to ($4,100,000)
Unemployment Compensation Administration Fund	$0 up to ($22,537)	$0	$0
Total Estimated Net Effect on All Federal Funds	**Up to ($4,122,537)**	**Up to ($4,100,000)**	**Up to ($4,100,000)**

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

In response to a similar proposal (SB 157), 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.

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.

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

ASSUMPTION (continued)

In response to a similar proposal (SB 157), officials from the **Missouri Department of Conservation**, **Department of Insurance, Financial Institutions and Professional Registration**, **Department of Transportation**, and **Office of Administration** each assumed the proposal will have no fiscal impact on their organization.

Officials from the **City of Kansas City** assume the proposal could have a very small fiscal impact on their organization, if its unemployment tax contributions were reduced because there were fewer claims against its account.

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

In response to a similar proposal (SB 157), officials from the **Jackson County Election Board** and **St. Louis County Board of Elections** both assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal (SB 157), officials from the **Springfield Public Schools** assumed the proposal will have no fiscal impact on their organization, but could result in minimal savings with the extension of the probationary period in eligibility criteria.

In response to a similar proposal (SB 157), officials from the **Kirksville R-III school district**, **University of Central Missouri**, **State Technical College of Missouri**, **University of Missouri**, and **Missouri State University** each assumed the proposal will have no fiscal impact on their organization.

Oversight notes that the Department of Labor and Industrial Relations, Missouri Department of Conservation, Department of Insurance, Financial Institutions and Professional Registration, Department of Transportation, Office of Administration, Jackson County Election Board, St. Louis County Board of Elections, Kirksville R-III, University of Central Missouri, State Technical College of Missouri, University of Missouri, and Missouri State University 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 for these agencies.

ASSUMPTION (continued)

House Amendment 1

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

Division of Employment Security (DES):

Section 288.135 would require each employer that is liable for contributions to pay an annual unemployment automation surcharge of fifteen one-thousandths of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June 30th. The total surcharge due from all employers is not to exceed four million dollars.

In addition, the applicable unemployment contributions rate of each employer liable for contributions shall be reduced by fifteen one-thousands of one percent.

The proposed legislation would result in a no net tax increase for the employer. Based on 2017 data, the surcharge would redirect approximately $3.8 million from the UI Trust Fund (federal fund) to the unemployment automation fund (state fund).

Taxable wage for period ending June 30, 2017: $ 25,745,559,755 X 0.015% = $3,861,834

ITSD:

A new batch job needs to be written to calculate automation adjustment percentage, amount and post it to employers account. Correspondence needs to modified to notify the employers regarding automation adjustment amount and due date etc. Annual rate batch needs to be modified to lower down the contribution rate of employers who paid automation adjustment based on business rules. New tables needs to be created to store unemployment automation fund and each employer's contribution towards it.

ITSD services will be required at a cost of $22,537 (203.04 hours x $111 per hour) in FY 2020.

The Department anticipates being able to absorb the implementation costs, including ITSD costs through a current UI maintenance agreement and existing funds. However, until the FY 2020 budget is final, the Department cannot identify specific funding sources.

Oversight notes for this bill, ITSD assumes they will contract out the programming changes needed to update automation adjustment percentage, contribution rate of employers, and to create tables for unemployment automation fund. ITSD estimates the project would take

ASSUMPTION (continued)

203.04 hours at a contract rate of $111 per hour for a total cost to the state of $22,537. Oversight notes that DOLIR has an existing maintenance contract that is paid by the Unemployment Compensation Administration Fund, supplemented by the Unemployment Automation Fund as funds are available. Therefore, Oversight will reflect IT consultant cost of $0 up to $22,537.

In response to similar legislation, HB 375 from 2019, officials from the **Office of Administration**, **Department of Transportation**, and **Missouri Department of Conservation** each assumed the proposal will have no fiscal impact on their organization.

In response to similar legislation, HB 375 from 2019, officials from the **City of Kansas City**, **City of Columbia**, and **Monroe County Assessor** each assumed the proposal will have no fiscal impact on their organization.

In response to similar legislation, HB 375 from 2019, officials from the **State Technical College of Missouri**, **University of Central Missouri**, and **Missouri State University** each assumed the proposal will have no fiscal impact on their organization.

Oversight notes that the Office of Administration, Department of Transportation, Missouri Department of Conservation, City of Kansas City, City of Columbia, Monroe County Assessor, State Technical College of Missouri, University of Central Missouri, and Missouri State University 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 for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, school districts, and colleges 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.

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
Savings - potential less unemployment benefits paid for probationary employees between 28 and 90 days (§288.100)	$0 to Less than $100,000	$0 to Less than $100,000	$0 to Less than $100,000
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0 to Less than $100,000**	**$0 to Less than $100,000**	**$0 to Less than $100,000**
UNEMPLOYMENT AUTOMATION FUND			
Transfer In - DOLIR From Federal Unemployment Trust Fund (§288.135) (HA 1)	Up to $4,000,000	Up to $4,000,000	Up to $4,000,000
NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND	**Up to $4,000,000**	**Up to $4,000,000**	**Up to $4,000,000**
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND			
Cost - DOLIR - ITSD costs (§288.135) (HA 1)	$0 up to ($22,537)	$0	$0
NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND	**$0 up to ($22,537)**	**$0**	**$0**

FISCAL IMPACT - State Government (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
UNEMPLOYMENT TRUST FUND			
Transfer Out - DOLIR			
To State Unemployment Automation Fund (§288.135)	Up to ($4,000,000)	Up to ($4,000,000)	Up to ($4,000,000)
Loss - DOLIR Employment Security Benefits from non-charged employers (§288.100)	$0 to (Less than $100,000)	$0 to (Less than $100,000)	$0 to (Less than $100,000)
NET EFFECT ON THE UNEMPLOYMENT TRUST FUND	**Up to ($4,100,000)**	**Up to ($4,100,000)**	**Up to ($4,100,000)**

FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
Savings - potential less unemployment benefits paid for probationary employees between 28 and 90 days (§288.100)	$0 to Less than $100,000	$0 to Less than $100,000	$0 to Less than $100,000
NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0 to Less than $100,000**	**$0 to Less than $100,000**	**$0 to Less than $100,000**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

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.

This act extends that probationary period to 90 days.

SK:LR:OD

FISCAL DESCRIPTION (continued)

Effective January 1, 2020, each employer shall pay an annual unemployment automation adjustment of up to .015%, but the total amount collected by the division may not exceed $4 million per year. For each calendar year, the otherwise applicable unemployment contribution rate of each employer liable for contributions shall be reduced by .015%.

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
Missouri Department of Conservation
Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Office of Administration
Jackson County Election Board
St. Louis County Board of Elections
Springfield Public Schools
Kirksville R-III
University of Central Missouri
State Technical College of Missouri
University of Missouri
Missouri State University
City of Kansas City

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April 3, 2019

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April 3, 2019

SK:LR:OD