

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4431-01  
Bill No.: HB 1884  
Subject: Labor and Management; Employment Security; Department of Labor and Industrial Relations  
Type: Original  
Date: February 27, 2020

---

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0 to Less than \$100,000	\$0 to Less than \$100,000	\$0 to Less than \$100,000
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Unemployment Trust Fund	\$0 to ( Less than \$100,000)	\$0 to (Less than \$100,000)	\$0 to (Less than \$100,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 to (Less than \$100,000)</b>	<b>\$0 to (Less than \$100,000)</b>	<b>\$0 to (Less than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>	<b>\$0 to Less than \$100,000</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from **Office of Administration (OA)** assume the fiscal impact for the proposal is unknown. It is anticipated it will be a minimal reduction of costs.

**Oversight** notes in response to a similar proposal (SB 157) 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.

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

**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.

**ASSUMPTION** (continued)

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 **City of Kansas City** assume that this proposal will have very small positive impact on the city if its unemployment tax contributions were reduced because there were fewer claims against the account.

Officials from **City of O’Fallon** assume that this proposal would have no fiscal impact on the city.

**Oversight** is unable to determine how many employees the proposal will be applicable to in the future. Therefore, Oversight will reflect a zero to less than \$100,000 positive fiscal impact for local political subdivisions.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, schools, and colleges were requested to respond to this proposed legislation but did not.

<b><u>FISCAL IMPACT - State Government</u></b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	<b>(10 Mo.)</b>		

**GENERAL REVENUE**

<b><u>Savings</u> - potential less unemployment benefits paid for probationary employees between 28 and 90 days (\$288.100)</b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>
---	--	--	--

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>	<b>\$0 to Less than <u>\$100,000</u></b>
---	--	--	--

FISCAL IMPACT - State Government  
 (continued)

FY 2021  
 (10 Mo.)

FY 2022

FY 2023

**UNEMPLOYMENT TRUST FUND**

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**

**\$0 to (Less than  
\$100,000)**

**\$0 to (Less  
 than \$100,000)**

**\$0 to (Less  
 than \$100,000)**

FISCAL IMPACT - Local Government

FY 2021  
 (10 Mo.)

FY 2022

FY 2023

**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

Currently, the time an individual must have been employed with an employer before the Division of Employment Security may charge the employer's account in respect to benefits paid to the individual is 28 days.

This bill increases the time of employment before the employer will be charged for benefits from 28 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 O'Fallon



Julie Morff  
Director  
February 27, 2020



Ross Strobe  
Assistant Director  
February 27, 2020