

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1433H.01I  
Bill No.: HB 765  
Subject: Employment Security; Unemployment Compensation; Labor and Management;  
Employees - Employers  
Type: Original  
Date: March 16, 2021

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Bill Summary: This proposal modifies provisions relating to the unemployment automation fund.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Unemployment Automation Fund (0953)	\$3,382,938 or up to \$5,000,000	\$3,382,938 or up to \$5,000,000	\$3,382,938 or up to \$5,000,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$3,382,938 or up to \$5,000,000</b>	<b>\$3,382,938 or up to \$5,000,000</b>	<b>\$3,382,938 or up to \$5,000,000</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Unemployment Trust Fund (0122)	(\$3,382,938) or up to (\$5,000,000)	(\$3,382,938) or up to (\$5,000,000)	(\$3,382,938) or up to (\$5,000,000)
Unemployment Compensation Administration Fund (0948)	\$0 up to (\$22,537)	\$0 up to (\$4,620)	\$0 up to (\$4,736)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$3,382,938) or up to (\$5,022,537)</b>	<b>(\$3,382,938) or up to (\$5,004,620)</b>	<b>(\$3,382,938) or up to (\$5,004,736)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from **Department of Labor and Industrial Relations (DOLIR)** state the proposal would require each employer that is liable for contributions to pay an annual unemployment automation adjustment of fifteen one-thousands of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June thirtieth. The total adjustment due from all employers is not to exceed five million dollars.

In addition, for the first calendar quarter of each year, the total amount of tax contributions otherwise due for each employer liable for contributions shall be reduced by the dollar amount of the automation adjustment.

Taxable wage for period ending June 30, 2020: \$ 22,552,917,410 X 0.015% = \$3,382,938.

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 2022 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 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. Additionally, DOLIR selects its ongoing consultancy rate dependent on difficulty of the programing and has a choice to employ in-house ITSD at \$95 per hour, or outside IT consultants at \$111 per hour. Therefore, Oversight will reflect IT consultant cost of \$0 up to (\$22,537).

In response to the similar/identical proposal, SB 115 (0802S.01I) 2021, officials from the **Office of Administration** assumed the proposal would not have a fiscal impact on their respective organization.

Officials from the **Department of Conservation** and **Missouri Department of Transportation**, both have stated the proposal would not have a direct fiscal impact on their respective organizations.

The **University of Central Missouri** assume the fiscal impact is present. The amount will fluctuate based on annual payroll dollars and the percentage charged by the division for automation.

Officials from the **Springfield R-XII School** assume the proposal would have a \$6 Million up to Unknown fiscal impact annually.

**Oversight** notes subsection 288.133.4 states “the total amount of contributions otherwise due from an employer required to pay contributions under this chapter shall be reduced by the dollar amount of unemployment automation adjustment due from such employer under subsection” under chapter 288. Therefore, Oversight will assume the proposal will net to zero fiscal impact to employers, including colleges, universities, and local political subdivisions.

Officials from **Missouri State University, Northwest Missouri State University, State Technical College of Missouri, Missouri University, and High Point R-III School** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

Officials from the **City of Kansas City, City of Springfield, City of O’Fallon, City of Springfield, City of Tipton, and City of Saint Louis Budget Division** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, colleges, and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>UNEMPLOYMENT AUTOMATION FUND (0953)</b>			
<u>Transfer In - DOLIR From Federal Unemployment Trust Fund</u>	\$3,382,938 or up to <u>\$5,000,000</u>	\$3,382,938 or up to <u>\$5,000,000</u>	\$3,382,938 or up to <u>\$5,000,000</u>
<b>NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND (0953)</b>	<b>\$3,382,938, or up to <u>\$5,000,000</u></b>	<b>\$3,382,938, or up to <u>\$5,000,000</u></b>	<b>\$3,382,938, or up to <u>\$5,000,000</u></b>
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>UNEMPLOYMENT TRUST FUND (0122)</b>			
<u>Transfer Out - DOLIR To State Unemployment Automation Fund</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>
<b>NET EFFECT ON UNEMPLOYMENT TRUST FUND (0122)</b>	<b>(\$3,382,938) or up to <u>(\$5,000,000)</u></b>	<b>(\$3,382,938) or up to <u>(\$5,000,000)</u></b>	<b>(\$3,382,938) or up to <u>(\$5,000,000)</u></b>
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)</b>			
<u>Cost - DOLIR - ITSD costs</u>	\$0 up to (\$22,537)	\$0 up to (\$4,620)	\$0 up to (\$4,736)
<b>NET EFFECT ON UNEMPLOYMENT</b>			

<b>COMPENSATION ADMINISTRATION FUND</b>	<b><u>\$0 up to (\$22,537)</u></b>	<b><u>\$0 up to (\$4,620)</u></b>	<b><u>\$0 up to (\$4,736)</u></b>

<b><u>FISCAL IMPACT – Local Government</u></b>	<b>FY 2022 (10 Mo.)</b>	<b>FY 2023</b>	<b>FY 2024</b>
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**FISCAL IMPACT – Small Business**

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

**FISCAL DESCRIPTION**

This act provides that any employer required to make contributions under the unemployment compensation laws shall pay an annual unemployment automation adjustment equal to .015% of its total taxable wages for the twelve-month period ending the preceding June 30th. The Division of Employment Security is permitted to lower this rate under certain circumstances.

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  
 Department of Conservation  
 Missouri Department of Transportation  
 University of Missouri  
 State Technical College of Missouri  
 University of Central Missouri  
 Missouri State University  
 Northwest Missouri State University  
 High Point R-III School  
 Springfield R-XII School  
 City of Kansas City

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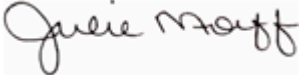
March 16, 2021

City of Springfield

City of O'Fallon

City of Tipton


City of Saint Louis Budget Division

A handwritten signature in cursive script, appearing to read "Julie Morff", written in black ink on a light-colored background.

Julie Morff

Director

March 16, 2021

A handwritten signature in cursive script, appearing to read "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe

Assistant Director

March 16, 2021