COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4719H.03C
Bill No.: HCS for HB Nos. 2034 & 2081
Subject: Employment Security; Labor and Industrial Relations, Department Of; Employees - Employers; Unemployment Compensation; Labor and Management
Type: Original
Date: March 11, 2024

Bill Summary: This proposal modifies provisions related to workforce development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2030)
General Revenue */**	Up to ($26,769)	Could Substantially Exceed ($12,357,449)	Could Substantially Exceed ($24,136,776)	Could Substantially Exceed ($55,610,125)
Total Estimated Net Effect on General Revenue	**Up to ($26,769)**	**Could Substantially Exceed ($12,357,449)**	**Could Substantially Exceed ($24,136,776)**	**Could Substantially Exceed ($55,610,125)**

*Oversight notes there is no maximum cap for the overall program under the Section 135.005. Oversight cannot estimate the level of participation in this tax credit but provided a cost based on 25% of new hires receiving a tax credit each year for five years, as well as their employers. Other costs include 2 DED FTE (Senior Economic Specialists at $74,664) and 3 DOR FTE (Associate Customer Service Representatives at $35,880).
**Oversight, for Section 288.050, reflects a range of $0 (claimants are complying with the proposal) to unknown savings where claimants would not be paid due to noncompliance. (The amount could potentially exceed $250,000).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2030)
Various State Funds*	$0 to Unknown	$0 to Unknown	$0 to Unknown	$0 to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2030)
Total Estimated Net Effect on Other State Funds	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**

Numbers within parentheses: () indicate costs or losses.
*Oversight, for Section 288.050, reflects a range of $0 (claimants are complying with the proposal) to unknown savings where claimants are not being paid due to noncompliance.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2030)
Unemployment Compensation Trust fund*	$0 to could be Less or More $637,000	$0 to could be Less or More $637,000	$0 to could be Less or More $637,000	$0 to could be Less or More $637,000
Total Estimated Net Effect on All Federal Funds	**$0 to could be Less or More $637,000**	**$0 to could be Less or More $637,000**	**$0 to could be Less or More $637,000**	**$0 to could be Less or More $637,000**

*Oversight, for Section 288.050, reflects the potential savings due to the denials of unemployment compensation payments for claimants who did not properly comply with work search requirements set by this proposal.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2030)
General Revenue Fund - DOR	0 FTE	3 FTE	3 FTE	3 FTE
General Revenue Fund – DED	0 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	**0 FTE**	**5 FTE**	**5 FTE**	**5 FTE**

☒ 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2030)
Local Government	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**

FISCAL ANALYSIS

ASSUMPTION

Section 288.050 Employment Security – denial of benefits:

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

This Section currently provides for disqualification if the deputy finds the claimant failed without good cause to apply for suitable work when directed by the Division of Employment Security or failed without good cause to accept suitable work when offered. The proposed legislation adds as another reason for disqualification the failure without good cause "to appear for a scheduled job interview or skills test."

In FY2022 there were 411 appeals to the Labor and Industrial Relations Commission (LIRC) involving the issue of disqualification for failure without good cause to accept suitable work. That number represents approximately 16.1% of the total 2,553 employee benefit appeals to the LIRC in FY2022.

Assuming the additional reason for disqualification – failure without good cause "to appear for a scheduled job interview or skills test" generates an additional 411 appeals, the LIRC's annual workload of employment security cases would increase by 411 or approximately 16.1%.

An increase of up to 411 employment security appeals can be addressed with the current number of clerical FTEs but would require an additional 0.25 FTE attorney. A larger caseload of appeals would require additional FTEs and result in additional costs.

The estimated annual cost of additional personnel for up to 411 employment security cases:

Attorney
$114,793 annual salary plus fringe
$72,000 annual salary (est. using current LIRC attorney salary)
$42,793 annual fringe (est. from HR Director)
$6,678 space/annual rent (est. from General Services 900 @$7.42)
$2,300 equipment (est. from recently purchased equipment for LIRC staff)

$123,771 Total Attorney x 0.25 = $30,942.75
Total estimated annual cost: $30,942.75

Office of General Counsel (OGC) estimates additional legal counsel service provide to aid in LIRC appeals requiring an additional 0.25 FTE.

Division of Employment Security believes an unknown impact but believes that the impact will be absorbable with current staff.

Oversight assumes DOLIR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOLIR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOLIR could request funding through the appropriation process.

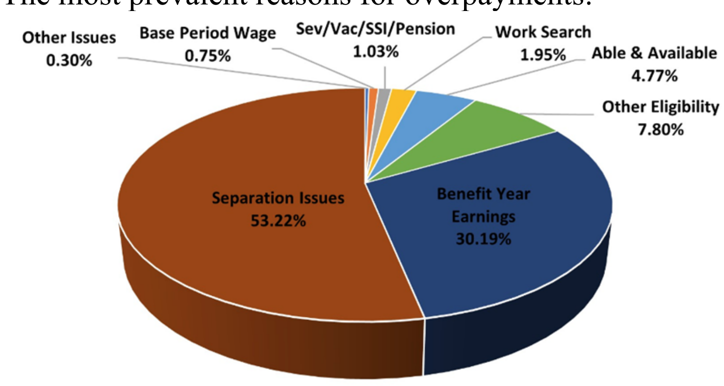
Oversight notes that this proposal adds an additional reason where the claimant could be denied and not receive unemployment benefit.

Oversight notes the new requirement, where the employee/claimant could be potentially denied for unemployment payment due to not showing up, calling, or contacting a potential new job, would yield some savings to the unemployment trust fund.

Oversight notes that the pie chart graph below indicates that around 1.95% of people being improperly paid unemployment benefits, each year, are claimants who did not properly search for work.

Oversight notes that three-year improper payment estimate according to the DOL for Missouri was $98,314,915 in the same period. ($32.7 million on average per year)

The most prevalent reasons for overpayments:



Source: U.S. Department of Labor [Causes for Improperly Paid Benefits]

Oversight notes this could potentially provide savings to the unemployment trust fund where claimants not complying with the proposal will not be paid their weekly benefits. Therefore, Oversight will reflect a range from $0 (claimants complied with the work search requirements) to could be more or less than $637,650 ($32,700,000 x 1.95%) where claimants did not comply with the work search requirements, to the unemployment trust fund in the fiscal note.

Oversight notes this could provide some potential savings to employers throughout Missouri due to the employees that are not being paid for non-compliance. Therefore, Oversight will reflect $0 to Unknown amount of savings to the general revenue, other state funds, and local political subdivision funds in the fiscal note.

Oversight notes that depending on the total of the claimants each year the total amount of savings to the state or local political subdivision could reach or exceed $250,000 annually.

Section 135.005 - Establishes tax credits for certain engineering degrees

In response to similar proposal (HB 2081), officials from the **Office of Administration – Budget & Planning (B&P)** noted:

Section 135.005 authorizes three tax credits to qualified employers and qualified employees beginning on or after January 1, 2025. Qualified employers are a business entity registered to do business in this state and whose principal business activity involves the engineering sector. Qualified employees are defined as a person newly-employed on a full-time basis with a qualified employer on or after January 1, 2025, and who has been awarded an engineering degree or certificate from a qualified program and institution.

The first tax credit allows a qualified employer who reimburses tuition to a qualified employee who received his or her degree or certificate within one year prior to or following employment with the employer. The tax credit shall be equal to 50% of the amount of tuition reimbursed and claimed for the first four years of employment. Such tax credits shall not be transferred, sold, or assigned, and shall not be refundable or carried forward to any other tax year.

The second tax credit allows a qualified employer who pays compensation to a qualified employee for the first five years of such employment. Tax credits shall not exceed $15,000 for a qualified employee in a tax year, and a total of $75,000 for any given qualified employee. Employer tax credits shall not be transferred, sold, or assigned, and shall not be refundable or carried forward to any other tax year.

A third tax credit is allowed to a taxpayer who becomes a qualified employee in an amount equal to $5,000 that may be claimed for five consecutive tax years beginning with the tax year they qualified and a maximum of $25,000 in tax credits. Employee tax credits shall not be transferred, sold, or assigned, and shall not be refundable, but may be carried forward to subsequent tax years not exceeding the fourth tax year succeeding the tax year they initially claimed the tax credit.

This act shall sunset on December 31, 2030, unless reauthorized by the General Assembly.

This tax credit has a cap on employees and employers, but not the overall program. B&P notes this will have an unknown impact on TSR, but could exceed $1M annually.

Officials from the **Department of Revenue (DOR)** note:

This proposal appears to create three new tax credit programs involving ABET certified engineering programs in the state of Missouri. DOR notes that while 13 different Colleges and Universities offer engineering courses, it appears that only the University of Missouri-Columbia, University of Missouri – Kansas City and the Missouri University of Science & Technology have some engineering programs that are ABET accredited.

These credits are all to start for all tax years beginning on or after January 1, 2025. Therefore, the first time they will be claimed on a tax return is FY 2026.

None of the credits created in this proposal allow for the credit to be refunded. Nor are they allowed to be transferred, sold or assigned. Additionally, none of these credits have an annual cap. These credits do have a sunset date of December 31, 2030.

<u>Section 135.005.2 - Credit #1- For Employers</u>
This allows a qualified employer to receive a credit for the tuition they reimbursed to a qualified employee. To be a qualified employer a company must be registered in this state and whose principal business activity involves engineering. DOR notes that there are over 20 engineering firms in MO. The smallest firms have about 10 engineers on staff. While the 2 largest firms Burns and McDonnell who has 1,000 license engineers and Jacobs with 9,000 licensed engineers on staff. Both of these firms are located in the Kansas City area. DOR is unable to determine how many of these firms would participate in this tax credit program or how many recent engineering graduates they hire. DOR notes that this does not require the engineering firm to be a Missouri business, just be a business registered to do business here in MO. Therefore, this could impact additional firms outside the state.

This proposal states that a qualified employee must be hired full-time after January 1, 2025, and have graduated with an undergraduate or graduate degree. This tax credit program would allow a qualified employer to receive a tax credit equal to 50% of the tuition they reimburse for a qualified employee. Tuition only includes the cost for course instruction and participation and does not include room & board or books and fees. The credit is allowed as long as the employee remains employed at least four years.

DOR notes this tax credit does not have an annual cap but does not allow the credit to be issued for more than 50% of an employee's previous tuition amount paid. The average tuition at the University of Missouri for engineering students is $17,000 annually. Therefore, this credit could not exceed $8,500 per employee per year. DOR is unable to determine how many of the graduating students are employed annually by these companies and how many companies would wish to pay their tuition. DOR notes that if just 29 employers pay the $8,500 tuition, then this would cost $250,000. DOR assumes this could be higher than the $250,000 threshold especially since it is not limited to only Missouri companies.

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC ($7,138), updates to DOR website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $35,880.

Oversight notes officials from the DOR assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a 1 FTE (Associate Customer Service Representative) impact for Section 135.005.2, at $35,880 annually, beginning FY 2026, in the fiscal note.

Section 135.005.3 - Credit #2 - Employers

DOR notes the proposal allows the same qualified employers to receive a tax credit for the compensation they pay to a qualified employee for the first five years they are employed. The credit is to be equal to:

5% of compensation paid for employees who graduated at an out-of-state school.
10% of compensation paid for employees who graduated from an in-state school.

The credit per employee can not exceed $15,000 per year and can not exceed $75,000 per employee through the maximum 5 years. DOR notes that the University of Missouri-Columbia did a survey of their 2022 graduating engineers and found they had an average starting salary between $65,000 to $88,000 depending on type of engineering.

DOR is unable to determine how many of the engineering firms will hire and seek a credit for the employees they are hiring. DOR notes that if 28 employee's compensation is requested as a tax credit this would cost $250,000. DOR assumes this could be higher than the $250,000.

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC ($7,138), updates to DOR website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $35,880.

Oversight notes officials from the DOR assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a 1 FTE (Associate Customer Service Representative) impact for Section 135.005.3, at $35,880 annually, beginning FY 2026, in the fiscal note.

Section 135.005. 4. Credit #3 – Employee

DOR also notes the proposal allows the employee who must be hired after January 1, 2025, to receive a $5,000 tax credit annually for five years if they are employed by one of the qualified employers. This credit is allowed to be carried forward up to four years.

This credit does not have an annual cap. DOR assume that each student hired from a Missouri qualified institution with an allowed engineering degree will claim this credit.

DOR is unable to determine how many students would graduate annually and go to work for an approved company. DOR note that the University of Missouri-Columbia posted they graduated 350 engineering students in 2022. DOR note that not all of them are in a required ABET accredited program and that additional students graduate from the other ABET accredited programs in the State. DOR notes that if all of these students would qualify it would cost $1,750,000 in the first year, $3,500,000 in the second year, $5,250,000 in the third, $7,000,000 n the fourth year and $8,750,000 in the fifth year. This amount would be the expected loss for each year thereafter.

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC ($7,138), updates to DOR website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $35,880.

Oversight notes officials from the DOR assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a 1 FTE (Associate Customer Service Representative) impact for Section 135.005.4, at $35,880 annually, beginning FY 2026, in the fiscal note.

Lastly, **Oversight** will reflect the form changes to the tax credit forms and technology updates cost for all three above sections, beginning FY 2025 (one-time cost), in the fiscal note.

In response to a similar proposal (HB 2081), officials from the **Department of Economic Development (DED)** note:

Section 135.005. This legislation, if left un-amended, could have a significant impact due to the program having no cap. The program would allow a tax credit in an amount equal to 50% of the tuition reimbursed to any qualifying employee that has been awarded an undergraduate or graduate degree , or technical degree or certificate from a qualified program within 1 year prior to or following employment with a qualified employer and remains employed up to the 4th year of employment. Employees hired that graduated from an out-of-state qualified institution will receive 5% of the compensation paid. Employees hired that graduated from an in-state qualified institution will receive 10% of the compensation paid.

The employer will receive tax credits not to exceed $15,000 for any single qualified employee for 5 years equaling $75,000 in possible credits for each qualifying new employee.

The qualifying employee will receive $5,000 tax credit for 5 years equaling $25,000 in possible credits.

Without knowing how many engineers will be hired in Missouri up to a year after graduating and no program cap, the cost is unknown but is believed to be significant. Each year a new set of engineers will be added while the previous engineers will continue to receive tax credits for 5 years, making the tax credits increase by the first years impact every year for 5 years. A rough estimate is approximately 2,250 engineers each year being eligible for the tax credit. DED pulled the number of private sector engineers hired in 2022 for Missouri under the age of 35, trying to capture first time hires that could be eligible for this tax credit. There were over 5,700 engineering degrees awarded in 2022 in the state of Missouri helping provide a backup to their estimates. Using this number for new hires, DED estimates an impact of $45 million the first year, $90 million the second year, $135 million the third year, $180 million the fourth year, and $225 million the fifth year. The program will continue to be $225 million a year until its sunset in December of 2030.

DED estimates the need of 2 FTE to implement this program.

Officials from the DED assume the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect the DED 2 FTE (Senior Economic Specialists $74,664 each) impact in the fiscal note.

Oversight notes that currently Indeed.com has a 2,633 engineer vacancies open in Missouri.

Oversight will use the DED rough estimate (2,250) of engineers entering workforce annually.

Oversight notes that according to the Missouri University of Science and Technology the tuition for in-state students was $14,462 annually and $31,862 for out of state students.

Oversight Assumption:

Section 135.005 2. - Credit #1- For Employers – reimbursement at 50% of the tuition paid for the employee.

Oversight notes the 50% of tuition reimbursement would allow the employer to receive $7,231 to $15,931 respectively, from the tuition paid for Missouri Engineer students at the University of Science and Technology as shown above.

Oversight, for purposes of this fiscal note, will show range between 25% (or 563 students) to 50% (1,125 students) of the graduating class, out of 2,250 applied and was able to obtain job in an engineering field with qualified employer.

Oversight notes the impact, using DEDs 2,250 newly hired engineers for which employers could reimburse tuition and qualify for a tax credit. Oversight estimates the cost based on difference levels of participation for the employer tax credit as shown below:

Engineer Employee/ Tuition - 50%	**$7,231 in-state 50%**	**$15,931 out-of-state 50%**
25% - 563 students/employees	$4,071,053	$8,969,153
50% - 1125 students/employees	$8,134,875	$17,922,375

Section 135.005 3. - Credit #2 - Employers

The credit is to be equal to the 10% of compensation paid for employees who graduated from a qualified school.

Oversight notes that according to the Bureau of Labor Statistics, occupational employment and wage estimates, there are currently 38,310 full time engineers in Missouri working in various fields with an annual mean salary of $87,970. Therefore, Oversight estimates the employer could receive $8,797 ($103,532 x 10%), but no more than $15,000 per employee for any qualified worker for any one year or $75,000 for any qualified workers in total.

Oversight shows the impact stemming from this Section below:

Engineer - Employee/ Compensation	**$8,797 Salary in- state graduate 10%**
25% - 563 students/employees	$4,952,711
50% - 1125 students/employees	$9,896,625

Section 135.005 4. - Credit #3 – Employees

Oversight notes this credit allows for the employee to receive up to $5,000 tax credit annually for five years if they are employed by one of the qualified employers.

Oversight estimates the impact using the same level of participating students/employees above and shows the impact stemming from this section below:

Engineer - Employee/ Compensation	**$5,000**
25% - 563 students/employees	$2,815,000
50% - 1,125 students/employees	$5,625,000

In Summary

Oversight is uncertain if an employer could receive both reimbursed tuition tax credit and the employee compensation tax credit. For purposes of the fiscal note, Oversight assumes an employer could receive both tax credits. If the assumption is incorrect, this would change the impact presented in the fiscal note.

Oversight summarizes the potential impact assuming 25% (563) of newly hired engineers would receive a tax credit as would their employers. This assumption is based on those new hires having graduated from an in-state institution.

Section 135.005 2. Employer Tuition Reimbursement Tax Credit – 50% of in-state tuition ($7,231) – 25% of new hires (563)	$4,071,053
Section 135.005 2. Employer Compensation Paid Tax Credit – 10% of salary ($8,797) – 25% of new hires (563)	$4,952,711
Section 135.005 .4 Employee Tax Credit - $5,000 per year – 25% of new hires (563)	$2,815,000
Total	**$11,838,764**

Lastly, this program does not have a cap for the overall program, instead limits each tax credit per individual employer or employee for a given amount of years. The tuition reimbursement tax credit has a four-year award schedule, while the other two tax credits have a 5-year award schedule. **Oversight** will show cumulative effect of the tax credits stemming from employers, or employees, claiming a tax credit each year while next graduates entering the workforce add to the claims in the second year and so on.

Estimated cumulative cost at 25% of new hires qualifying for the employee tax credit and their subsequent employers each year.

	Year 1	Year 2	Year 3	Year 4	Year 5
Group 1	$11,838,764	$11,838,764	$11,838,764	$11,838,764	$7,767,711*
Group 2		$11,838,764	$11,838,764	$11,838,764	$11,838,764
Group 3			$11,838,764	$11,838,764	$11,838,764
Group 4				$11,838,764	$11,838,764
Group 5					$11,838,764
Total	**$11,838,764**	**$23,677,528**	**$35,516,292**	**$47,355,056**	**$55,122,767**

*The tuition reimbursement tax credit is awarded for four years and does not occur for this group in the fifth year.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, **Oversight** assumes the Division can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2030)
GENERAL REVENUE				
Costs – DOR Section(s) 135.005 2,3,4, - FTEs p.6-9				
Personnel Service	$0	($109,793)	($111,989)	($118,844)
Fringe Benefits	$0	($86,810)	($87,612)	($92,975)
Expense & Equipment	$0	($40,246)	($1,745)	($1,852)
Total Costs - DOR	$0	($236,849)	($201,346)	($213,671)
FTE Change	0 FTE	3 FTE	3 FTE	3 FTE
Costs – DOR - Section(s) 135.005 2,3,4, - ITSD update and changes to Forms p.9	($26,769)	$0	$0	$0
Cost - Section 135.005 2,3,4. – Employer Tuition Tax Credit, compensation, and employee reimb. p.7-9	$0	Could Substantially Exceed ($11,838,764)	Could Substantially Exceed ($23,677,528)	Could Substantially Exceed ($55,122,767)
Costs – Section(s) 135.005 2,3,4 - 2 FTEs needed p. 7				
Personnel Service	$0	($152,315)	($155,361)	($164,870)
Fringe Benefits	$0	($89,075)	($90,256)	($95,780)
Expense & Equipment	$0	($40,446)	($12,285)	($13,037)
Total Costs - DED	$0	($281,836)	($257,902)	($273,688)
FTE Change	0 FTE	2 FTE	2 FTE	2 FTE

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2030)
Cost Avoidance - §288.050 – improper work search unemployment payment not being paid – p.5-6	$0 to Unknown	$0 to Unknown	$0 to Unknown	$0 to Unknown
NET EFFECT ON THE GENERAL REVENUE FUND	**Up to ($26,769)**	**Could Substantially Exceed ($12,357,449)**	**Could Substantially Exceed ($24,136,776)**	**Could Substantially Exceed ($55,610,125)**
Estimated Net FTE Change on General Revenue	0 FTE	5 FTE	5 FTE	5 FTE
OTHER STATE FUNDS				
Cost Avoidance - §288.050 – improper work search unemployment payment not being paid – p.5-6	$0 to Unknown	$0 to Unknown	$0 to Unknown	$0 to Unknown
NET EFFECT ON THE OTHER STATE FUNDS	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**
UNEMPLOYMENT COMPENSATION TRUST FUND				
Cost Avoidance – DOLIR- §288.050 – improper work search unemployment payment not being paid – p.5-6	$0 to could be Less or More $637,000	$0 to could be Less or More $637,000	$0 to could be Less or More $637,000	$0 to could be Less or More $637,000
ESTIMATED NET EFFECT ON THE UNEMPLOYMENT COMPENSATION TRUST FUND	**$0 to could be Less or More $637,000**	**$0 to could be Less or More $637,000**	**$0 to could be Less or More $637,000**	**$0 to could be Less or More $637,000**

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2030)
LOCAL POLITICAL SUBDIVISION				
Cost Avoidance - §288.050 – improper work search unemployment payment not being paid – p.5-6	$0 to Unknown	$0 to Unknown	$0 to Unknown	$0 to Unknown
NET EFFECT ON THE LOCAL POLITICAL SUBDIVISION	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2025, this act authorizes three tax credits to qualified employers and qualified employees. Qualified employers are defined as a business entity registered to do business in this state and whose principal business activity involves the engineering sector. Qualified employees are defined as a person newly-employed on a full-time basis with a qualified employer on or after January 1, 2025, and who has been awarded an engineering degree or certificate from a qualified program from a qualified institution, as such terms are defined in the bill.

A qualified employer shall be allowed a tax credit for tuition reimbursed to a qualified employee who has received his or her degree or certificate within one year prior to or following the commencement of employment with the qualified employer. The tax credit shall be equal to 50% of the amount of tuition reimbursed and may be claimed for the first four years of the qualified employee's employment. Such tax credits shall not be transferred, sold, or assigned, and shall not be refundable or carried forward to any other tax year.

A qualified employer shall also be allowed a tax credit for compensation paid to a qualified employee for the first five years of such employee's employment. The tax credit shall be equal to 5% of compensation paid to a qualified employee who received his or her degree or certificate from an out-of-state institution, and 10% of compensation paid to a qualified employee who received his or her degree or certificate from an in-state institution. Such tax credits shall not exceed $15,000 for a qualified employee in a tax year, and shall not exceed a total of $75,000 for

any given qualified employee. Such tax credits shall not be transferred, sold, or assigned, and shall not be refundable or carried forward to any other tax year.
A taxpayer who becomes a qualified employee shall be allowed a tax credit in an amount equal to $5,000. The tax credit may be claimed for five consecutive tax years beginning with the tax year in which the taxpayer becomes a qualified employee. No taxpayer shall claim a total of more than $25,000 in tax credits. Such tax credits shall not be transferred, sold, or assigned, and shall not be refundable, but may be carried forward to subsequent tax years, provided that a tax credit shall not be carried forward beyond the fourth tax year succeeding the tax year in which the taxpayer initially claimed the tax credit.

The Department of Economic Development shall annually submit a report to the General Assembly containing information regarding the cost and effectiveness of the provisions and any recommendations.

This bill sunsets on December 31, 2030.

This bill establishes the "Employment Security Program Integrity Act of 2024" and defines terms such as "Department of Corrections," "Division," "Employment security rolls," "National data check system," "New-hire records," and "Welfare agency" for the purpose of this Act.

This bill requires the Division of Employment Security to engage with and utilize a national data check system to verify the eligibility of unemployment compensation benefit claimants. Regular checks against incarcerated individuals, state death records, and new-hire records are necessary to ensure the accuracy of employment security rolls.

The bill specifies methods for verifying the identity of unemployment compensation benefit claimants, including multi-factor authentication.

This bill requires that the Division conduct eligibility reviews for suspicious or potentially improper claims, including those from the same internet protocol address, foreign addresses, or associated with the same mailing address or bank account. Welfare agencies are required to notify the Division when an enrolled individual becomes employed.

This bill allows the Division to pursue the recovery of fraudulent or improper unemployment compensation benefit overpayments and mandates an annual report to the General Assembly on these efforts. The Division is authorized to enter into a memorandum of understanding with other state entities to share necessary information. This bill allows for the promulgation of rules and regulations by the Division for the administration of this section.

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 Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division

Julie Morff
Director
March 11, 2024

Ross Strope
Assistant Director
March 11, 2024