

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2780H.01I  
Bill No.: HB 1281  
Subject: Employment Security; Department of Labor and Industrial Relations; Employees -  
Employers; Unemployment Compensation; Labor and Management  
Type: Original  
Date: March 11, 2025

---

Bill Summary: This proposal modifies provisions of the employment security program and establishes the "Employment Security Program Integrity Act of 2025", relating to the administration of unemployment compensation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</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 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Unemployment Insurance Trust Fund*	\$0 to Could exceed \$637,000	\$0 to Could exceed \$637,000	\$0 to Could exceed \$637,000
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 to Could exceed \$637,000</b>	<b>\$0 to Could exceed \$637,000</b>	<b>\$0 to Could exceed \$637,000</b>

\*Oversight 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.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</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 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration**, the **Department of Labor and Industrial Relations**, and the **Office of Administration - Administrative Hearing Commission** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

### Section 288.050 Benefits denial due to noncompliance (work search)

Upon further inquiry, **DOLIR** assumed that there could be some potential savings due to the claims being denied for non – compliance with the proposal.

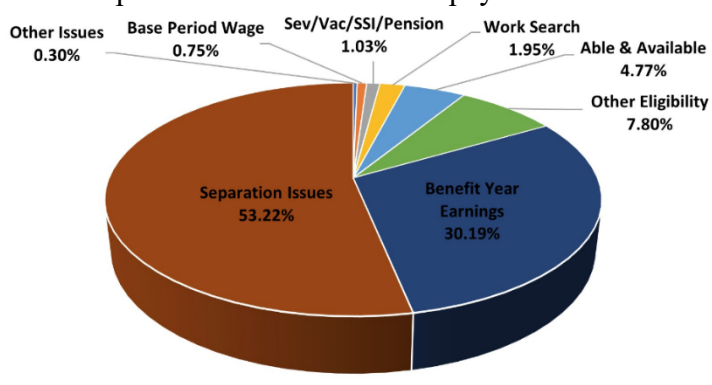
**Oversight** notes that this proposal adds an additional reason where the claimant could be denied for improper work search and denied for unemployment benefits for certain weeks.

**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 exceed \$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.

Section 288.104 "Employment Security Program Integrity Act of 2022"

**Oversight** notes that the Department of Higher Education and Workforce Development (DHEWD) currently has [jobs.mo.gov](https://jobs.mo.gov) link for potential employees seeking jobs and connect with employers throughout the Missouri. However, this proposal would require the DOLIR - Division of Employment Security (DES) to expand its current processes for matching job opportunities to the Unemployment Insurance claims to include the facilitation of contact between claimants and employers while monitoring the responsiveness of claimants to job referrals.

**Oversight** notes that DES currently cross-matches unemployment records against the National Directory of New Hires and the State Directory of New Hires. Moreover, the DES currently accesses the Integrity Data Hub if needed which provides critical cross-matching functionality to combat the challenges and urgencies of UI fraud.

**Oversight** notes the Payment Integrity Information Act (PIIA) of 2019, requires programs to report an annual improper payment rate below 10 percent, and the UI program established a performance measure for states to meet the 10 percent requirement. The Missouri improper payment rate projected between July 1, 2020 - June 30, 2023 reached 8.91% ([Payment Accuracy](#)).

**Oversight** will note the proposal, Section 288.104, will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
<u>Cost Avoidance</u> – DOLIR- \$288.050 – improper work search unemployment payment not being paid – p.3	\$0 to Could exceed <u>\$637,000</u>	\$0 to Could exceed <u>\$637,000</u>	\$0 to Could exceed <u>\$637,000</u>
<b>ESTIMATED NET EFFECT ON THE UNEMPLOYMENT INSURANCE TRUST FUND</b>	<b>\$0 to Could exceed <u>\$637,000</u></b>	<b>\$0 to Could exceed <u>\$637,000</u></b>	<b>\$0 to Could exceed <u>\$637,000</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT – Small Business

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

#### FISCAL DESCRIPTION

This bill adds to the reasons a claimant is disqualified for unemployment compensation by adding that if the designated representative of the Division of Employment Security (Division) within the Department of Labor and Industrial Relations finds that a claimant failed to appear for a scheduled job interview or skills test. The bill also revises the method of notifying the claimant by deleting the current requirement of certified mail and referring to notification in writing or by email or telephone. The Division must establish a method allowing employers to report by email or telephone individuals who do not accept or respond to offers of employment or do not appear for scheduled interviews or tests.

This bill establishes the "Employment Security Program Integrity Act of 2025" and defines terms such as "Employment security rolls", "National data check system", "New-hire records", and "Welfare agency" for the purpose of this Act.

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

This bill allows the Division to pursue the recovery of fraudulent or improper unemployment compensation benefits overpayment. The Division is required to provide an annual report to the General Assembly each year, by December 31st, describing improper unemployment compensation benefit payments and their recovery efforts. The Division is authorized to enter into a memorandum of understanding with other state entities to share and receive the 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

Office of Administration

Department of Labor and Industrial Relations

Office of Administration - Administrative Hearing Commission



Julie Morff

Director

March 11, 2025



Jessica Harris

Assistant Director

March 11, 2025