

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6401H.011
 Bill No.: HB 2877
 Subject: Unemployment Compensation; Employment Security; Department of Labor and Industrial Relations; Labor and Management; Employees - Employers
 Type: Original
 Date: March 11, 2026

Bill Summary: This proposal establishes the "Unemployment Administration Adjustment Fund".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Unemployment Administration Adjustment Fund	Could exceed \$10,221,532	Could exceed \$9,887,680	Could exceed \$9,575,163
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed \$10,221,532	Could exceed \$9,887,680	Could exceed \$9,575,163

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Unemployment Insurance Trust Fund	More or Less than (\$10,221,532)	More or Less than (\$9,887,680)	More or Less than (\$9,575,163)
Total Estimated Net Effect on <u>All</u> Federal Funds	More or Less than (\$10,221,532)	More or Less than (\$9,887,680)	More or Less than (\$9,575,163)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- 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 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§288.135 and §288.136 Unemployment Administration Adjustment Fund

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume §288.136 would require each employer that is liable for contributions to pay an annual unemployment administration adjustment of five one-hundredths of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June thirtieth. 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 unemployment administration adjustment.

Estimated taxable wage for period ending June 30, 2026: \$20,443,045,963 X 0.0005 = \$10,221,523.

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 2027 budget is final, the Department cannot identify specific funding sources.

Oversight notes that this legislation requires employer contributions to the Unemployment Administration Adjustment Fund to be reduced by an equal amount from total tax contributions to the Unemployment Insurance Trust Fund. As a result, **Oversight** will reflect an equivalent revenue increase to the Unemployment Administration Adjustment Fund, as estimated by the DOLIR, and a corresponding revenue decrease to the Unemployment Insurance Trust Fund. Therefore, Oversight assumes this will have a net zero impact to the State.

Officials from the **Department of Health and Senior Services** and **Missouri Lottery** defer to the DOLIR for the potential fiscal impact of this proposal.

Officials from the **Office of Administration (OA)** 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 for this agency.

Officials from the **Department of Higher Education and Workforce Development, Department of Mental Health, Department of Natural Resources, Department of Public Safety – Missouri Veterans Commission, Department of Social Services, and Department of Corrections** each defer to the OA for the potential fiscal impact of this proposal.

Officials from the **Office of Administration – Budget & Planning (B&P)** assumes this proposal creates provisions in sections 288.135 and 288.136 which establishes the "Unemployment Administration Adjustment Fund" and an adjustment rate of five one-hundredths of a percent of an employer's total taxable wages. This adjustment will be deposited

in the new fund without changing the net amount employers owe. This will have no net fiscal impact on TSR or GR.

Officials from the **Department of Public Safety-Missouri Gaming Commission (MGC)** assume the proposed legislation amends Chapter 288, RSMo, by adding thereto two new sections relating to unemployment administration adjustments.

§288.135 creates in the state treasury the Unemployment Administration Adjustment Fund. Money in the fund shall be used solely for the purpose of defraying the cost of the administration of this law.

§288.136 states that each employer liable for contributions pursuant to this chapter shall pay an annual unemployment administration adjustment in an amount equal to five one-hundredths of one percent of such employer's total taxable wages for the twelve-month period ending the preceding June thirtieth.

Should the **MGC** be required to pay this adjustment, there would be an additional amount owed each year. For fiscal year 2025, the amount owed by MGC to the Unemployment Administration Adjustment Fund would equal \$7,672.72. This is based on taxable wages in the amount of \$15,345,436.67. This number would change each year based on MGC's total taxable wages.

Officials from the **Missouri Department of Conservation (MDC)** note that the Department anticipates an unknown fiscal impact.

Officials from the **Missouri Department of Transportation** assume this bill would establish the Unemployment Administration Adjustment Fund. Since the adjustment equals 0.05% of an employer's total taxable wages from the previous year, MoDOT expects an annual negative impact of \$159,000 to the State Road Fund and State Highways and Transportation Department Fund based on FY 2025 taxable wages.

Oversight notes that the legislation requires payments to the Unemployment Administration Adjustment Fund and, at the same time, reduces payments to the Unemployment Insurance Trust Fund by an equal amount. Accordingly, for simplicity, **Oversight** will incorporate the MGC and MODOT estimated impacts into the overall impact for both funds.

Officials from the **Department of Commerce and Insurance, Department of Economic Development, Department of Elementary and Secondary Education, Department of Public Safety (Division of Alcohol and Tobacco Control, Capitol Police, Fire Safety, Office of the Director, State Emergency Management Agency), Joint Committee on Administrative Rules, Joint Committee on Legislative Research (Legislative Research and Oversight Division), Missouri Consolidated Health Care Plan, Missouri Department of Agriculture, Missouri Ethics Commission, MoDOT & Patrol Employees' Retirement System, Missouri House of Representatives, Missouri Senate, Office of Administration (Administrative Hearing Commission), Office of the Governor, Office of the Secretary of State, Office of the**

State Public Defender, Office of the State Treasurer and State Tax Commission each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

In response to the similar legislation, SB 1399 (2026), officials from the **Office of the State Auditor, Missouri Office of Prosecution Services, Missouri House of Representatives, Missouri Senate, and Missouri State Employee's Retirement System** each assumed the proposal will have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Officials from the **Missouri Central University** assume indeterminate fiscal impact on their respective organization.

Officials from the **Missouri University System and Northwest Missouri State University** both 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 for both respective organizations.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **City of O'Fallon** 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 for this agency.

Oversight notes that the legislation requires payments to the Unemployment Administration Adjustment Fund and, at the same time, reduces payments to the Unemployment Insurance Trust Fund by an equal amount. Accordingly, for simplicity, Oversight will incorporate the colleges, universities and local political subdivision's estimated impacts into the overall impact for both funds.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
UNEMPLOYMENT ADMINISTRATION ADJUSTMENT FUND			
<u>Revenue Gain</u> – (§288.135) Payment from Missouri employers into Unemployment Administration Adjustment Fund	More or Less than <u>\$10,221,532</u>	More or Less than <u>\$9,887,680</u>	More or Less than <u>\$9,575,163</u>
<u>Revenue Gain</u> – (§288.135) Other state funds appropriated by general assembly	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT ADMINISTRATION ADJUSTMENT FUND	Could exceed <u>\$10,221,532</u>	Could exceed <u>\$9,887,680</u>	Could exceed <u>\$9,575,163</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
<u>Revenue Gain</u> – (§288.135) Payment from Missouri employers into Unemployment Administration Adjustment Fund	More or Less than <u>(\$10,221,532)</u>	More or Less than <u>(\$9,887,680)</u>	More or Less than <u>(\$9,575,163)</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT INSURANCE TRUST FUND	More or Less than <u>(\$10,221,532)</u>	More or Less than <u>(\$9,887,680)</u>	More or Less than <u>(\$9,575,163)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill creates the "Unemployment Administration Adjustment Fund" in the state treasury that will be used solely for the purpose of defraying the costs of the administration of the Missouri Employment Security law.

This bill requires each employer liable for contributions pursuant to the unemployment compensation law to pay an annual unemployment administration adjustment in an amount equal to five one-hundredths of one percent of the employer's total taxable wages for the 12-month period ending the preceding June 30.

The bill specifies that if the September 30th balance of the unemployment administration adjustment fund is \$40 million dollars or more, or if the average balance of the unemployment compensation trust fund of the four preceding quarters, as specified in the bill, is less than \$450 million no unemployment administration adjustment will be applied in the next calendar year.

Each employer liable to pay an unemployment administration adjustment shall be notified of the amount due under this provision by March 31 of each year and the amount will be considered delinquent 30 days thereafter.

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 Commerce and Insurance
Department of Higher Education and Workforce Development
Department of Social Services
Department of Natural Resources
Missouri Department of Conservation
Department of Mental Health
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Public Safety
 Division of Alcohol and Tobacco Control
 Capitol Police, Fire Safety
 Office of the Director
 State Emergency Management Agency
Department of Revenue
Joint Committee on Administrative Rules
Joint Committee on Legislative Research
 Legislative Research
 Oversight Division

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Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Transportation
Missouri Ethics Commission
Missouri House of Representatives
Missouri Lottery Commission
Missouri Senate, Office of Administration
 Administrative Hearing Commission
 Budget & Planning
 Commissioner Office
Office of the Governor
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
Missouri University System
Northwest Missouri State University
Missouri Central University
City of O'Fallon
City of Kansas City



Julie Morff
Director
March 11, 2026



Jessica Harris
Assistant Director
March 11, 2026