

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4719H.011  
 Bill No.: HB 2034  
 Subject: Employment Security; Department of Labor and Industrial Relations; Employees - Employers; Unemployment Compensation; Labor and Management  
 Type: Original  
 Date: February 20, 2024

Bill Summary: This proposal modifies provisions of the employment security program and establishes the "Employment Security Program Integrity Act of 2024", relating to the administration of unemployment compensation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue *	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

\*Oversight 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).

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Various State Funds*	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

Numbers within parentheses: () indicate costs or losses.

\*Oversight reflects a range of \$0 (claimants are complying with the proposal) to unknown savings where claimants are not being paid due to noncompliance.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
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
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 to could be Less or More \$637,000</b>	<b>\$0 to could be Less or More \$637,000</b>	<b>\$0 to could be Less or More \$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 2025</b>	<b>FY 2026</b>	<b>FY 2027</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 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

#### Section 288.050 Benefits denied unemployed workers

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)

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\$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.

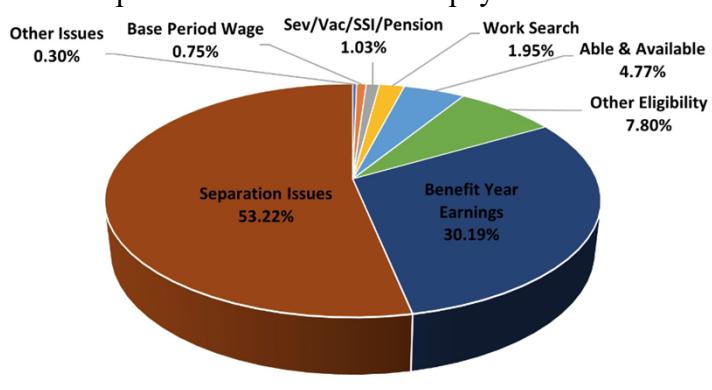
**Oversight** notes that this proposal adds an additional reason where the claimant could be denied and not receive unemployment benefit.

**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 ( $\$32,700,000 \times 1.95\%$ ) where claimants did not comply with the work search requirements, to the unemployment trust fund in the fiscal note.

Officials from the **Office of Administration (OA)** assume the proposal will have no fiscal impact on their organization.

**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 288.104 "Employment Security Program Integrity Act of 2022"

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

There is no anticipated fiscal impact for DOLIR as a result of this section of the legislation. The Division of Employment Security's current operational procedures comply with this bill's requirements, with the exception of the newly required written reports to the general assembly.

**Oversight** notes that 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 its 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** notes the DOLIR assumes the proposed Section will have no additional 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 specific Section.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE</b>			
<u>Cost Avoidance</u> - §288.050 – improper work search unemployment payment not being paid – p.5	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
<b>NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Cost Avoidance</u> - §288.050 – improper work search unemployment payment not being paid – p.5	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
<b>NET EFFECT ON THE OTHER STATE FUNDS</b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>	<b><u>\$0 to Unknown</u></b>
<b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Cost Avoidance</u> – DOLIR- §288.050 – improper work search unemployment payment not being paid – p.4	\$0 to could be Less or More <u>\$637,000</u>	\$0 to could be Less or More <u>\$637,000</u>	\$0 to could be Less or More <u>\$637,000</u>
<b>ESTIMATED NET EFFECT ON THE UNEMPLOYMENT COMPENSATION TRUST FUND</b>	<b><u>\$0 to could be Less or More \$637,000</u></b>	<b><u>\$0 to could be Less or More \$637,000</u></b>	<b><u>\$0 to could be Less or More \$637,000</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISION</b>			
<u>Cost Avoidance</u> - §288.050 – improper work search unemployment payment not being paid – p.5	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
<b>NET EFFECT ON THE LOCAL POLITICAL SUBDIVISION</b>	<b>\$0 to <u>Unknown</u></b>	<b>\$0 to <u>Unknown</u></b>	<b>\$0 to <u>Unknown</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

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.

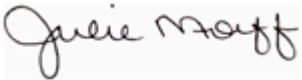
This bill requires that the Division conduct eligibility reviews for suspicious or potentially improper claims, including those from the same internet protocol address, foreign addresses, or associated with the same mailing address or bank account. Welfare agencies are required to notify the Division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

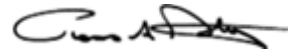
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Office of Administration



Julie Morff  
Director  
February 20, 2024



Ross Strobe  
Assistant Director  
February 20, 2024