

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5415H.03C
 Bill No.: HCS for HB 2614
 Subject: Employment Security; Department of Labor and Industrial Relations; Employees - Employers; Unemployment Compensation; Labor and Management
 Type: Original
 Date: April 24, 2024

Bill Summary: This proposal modifies provisions of the employment security program.

FISCAL SUMMARY

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

*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).

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

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

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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
Total Estimated Net Effect on <u>All</u> 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

*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.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

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)

\$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.

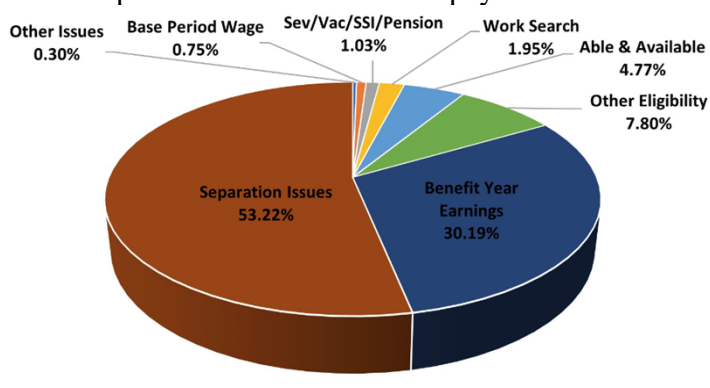
Oversight notes that this proposal adds an additional reason where the claimant could be denied and not receive unemployment benefit.

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.

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

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISION			
<u>Cost Avoidance</u> - §288.050 – improper work search unemployment payment not being paid – p.4	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
NET EFFECT ON THE LOCAL POLITICAL SUBDIVISION	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>

FISCAL IMPACT – Small Business

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

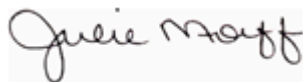
FISCAL DESCRIPTION

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 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. The Division must establish a method allowing employers to report by email or telephone individuals who do not accept or respond to offers or do not appear for scheduled interviews or tests.

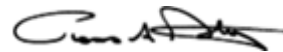
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
 Office of Administration



Julie Morff
 Director
 April 24, 2024



Ross Strobe
 Assistant Director
 April 24, 2024