

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1496H.011
Bill No.: HB 649
Subject: Employment Security; Unemployment Compensation; Employees - Employers;
Labor and Industrial Relations, Department of; Labor and Management
Type: Original
Date: February 23, 2021

Bill Summary: The proposal modifies provisions relating to employment security benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Various State Agencies, Colleges & Universities	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Unemployment Compensation Trust Fund*	\$0 to Greater than \$70,865,066	\$0 to Greater than \$70,865,066	\$0 to Greater than \$70,865,066
Unemployment Compensation Administration Fund (0948)	(\$194,206)	(\$39,812)	(\$40,807)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 to Greater than \$70,670,860	\$0 to Greater than \$70,825,254	\$0 to Greater than \$70,824,259

*Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor’s veto was overridden) were declared unconstitutional. This proposal revises these changes.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

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

Section 288.060 will change the methodology used by the Division of Employment Security (DES) to calculate unemployment benefits for Missourians.

Section 288.060 is amended to remove the current language used to determine unemployment benefit duration and indexes the maximum number of weeks of unemployment benefits that are payable to the average statewide unemployment rate, twice each calendar year.

DES estimates eligible claimants receiving from \$0 (no change) to \$70.9 million less in regular unemployment insurance (UI) benefits if the indexing method is implemented. This chart, based on the current claims level, estimates a yearly decrease in benefits paid for each week reduction in the duration of unemployment benefits:

If Unemployment Rate Is	# Regular UI Weeks Reduced	Maximum Duration for Regular UI	Estimated Regular UI Benefits NOT Paid to Eligible Recipients (Trust Fund)	Incremental Difference For Additional Week
>9.0%	0 weeks (no change)	20 weeks		
8.6% - 9.0%	1 week	19 weeks	\$7,115,130	\$7,115,130
8.1% - 8.5%	2 weeks	18 weeks	\$14,788,119	\$7,672,989
7.6% - 8.0%	3 weeks	17 weeks	\$22,895,864	\$8,107,744
7.1% - 7.5%	4 weeks	16 weeks	\$31,566,066	\$8,670,202
6.6% - 7.0%	5 weeks	15 weeks	\$40,659,390	\$9,093,324
6.1% - 6.5%	6 weeks	14 weeks	\$50,359,156	\$9,699,766
5.6% - 6.0%	7 weeks	13 weeks	\$60,605,653	\$10,246,497
=< 5.5%	8 weeks	12 weeks	\$70,865,066	\$10,259,411

These numbers are based on state fiscal year 2019 totals, because with the pandemic; the 2020 numbers would be unrealistically high.

If the number of individuals receiving benefits increases or decreases from current claim levels, the estimated amount of UI benefits not paid from the trust fund would also increase or decrease accordingly.

Oversight notes that according to the U.S. Department of Labor, Missouri's average seasonally adjusted unemployment rate for the time period of July 2018 to September 2018 was 3.0%. Additionally the Missouri seasonally adjusted unemployment rate for January 2019 was 3.2%. Additionally, average duration was 12.9 weeks with average benefits paid \$266.00 per week. (Source: https://labor.mo.gov/sites/labor/files/pubs_forms/2020_AnnualReport-AI.pdf)

DOLIR – ITSD Response:

The bill would make the maximum number of weeks available on a Regular UI claim anywhere from 12 to 20 weeks, depending on the state unemployment rate.

Additionally ITSD would need to make the following changes to the UIneract System as follow:

- Need to develop a screen to allow the entry of the monthly unemployment rate that the system will use to calculate the average rate for the appropriate period in order to determine the calculation for the WBA
- Updates to Claim Re-determination process
- Updates to Payment process
- Updates to Claimant notices
- Updates to Reporting

Oversight notes that DOLIR - IT costs according to DOLIR are contracted at \$111 per hour. This proposal would result in \$194,206 (1,749.60 hours x \$111) in FY 2022, \$39,812 costs in FY 2023, and \$40,807 in FY 2023 for ongoing maintenance.

Oversight notes that the existing Section 288.060 was changed in HB 150 (2015); however, those changes were deemed unconstitutional in 2016 because the General Assembly's veto override in 2015 was deemed untimely.

Oversight notes that the DOLIR has stated the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOLIR- ITSD estimates for changes to the UIneract system with ongoing maintenance and reflect savings to the Unemployment Compensation Trust Fund of \$70.9 Million for changes to a duration and indexes the maximum number of weeks of unemployment benefits.

Officials from the **Missouri Department of Transportation (MoDOT)** assume the proposal will have a direct fiscal impact on their organization. MODOT notes the HR division assume that this legislation could result in a minimal positive fiscal impact to the State Road Fund. MoDOT pays direct reimbursements. The potential lower number of weeks payable would be positive. However, our former employees rarely claim the full work weeks eligible.

Officials from the **University of Central Missouri** assume the proposal would have an indeterminate fiscal impact for the University.

Oversight notes that above University and MoDOT both assume the proposal would have a direct fiscal impact on their respective organizations. Officials from the DOLIR assume there

could be potential savings as the employer's paying less unemployment due the proposal. Therefore, Oversight will note \$0 to Unknown positive fiscal impact on the fiscal note for various state agencies, universities, and colleges on the fiscal note.

Officials from the **City of Kansas City** state the proposal may have a small positive fiscal impact on the City of Kansas City, Missouri. If the state unemployment average is below 6 percent the max unemployment payout is 12 weeks instead of 13 weeks. So therefore this legislation may save Kansas City a small amount of money, perhaps 1/12th of whatever Kansas City's unemployment payout is currently (assuming unemployment is below 6 percent statewide).

Oversight notes that the current average daily balance of the Unemployment Compensation Trust Fund was \$832,620,711 in FY 2018 and \$969,324,537 in FY 2019. Section 288.122 has been modified to allow for a higher balance for Missouri's Unemployment Trust Fund (UTF). This is accomplished by raising the UTF threshold amounts used for determining when negative tax rate adjustments are triggered, which lowers employers' tax rates.

Oversight assumes this proposal (decrease in the duration of unemployment and the increase in the threshold) would increase the Trust Fund balance. This threshold balance of the Trust Fund is required to be met to trigger a discount for employers. Oversight notes the state government and larger municipal governments would not be impacted; however, smaller municipalities may be impacted (an increase in the threshold balance required to receive the discount may reduce the discounts received by smaller political subdivisions). Oversight is unable to determine the potential cost to the political subdivisions as a result of this proposal; therefore, Oversight will reflect a zero to Unknown potential savings on the fiscal note.

Officials from **Missouri Department of Conservation, Office of Administration, Missouri State University, Northwest Missouri State University, State Technical College of Missouri, City of Springfield, City of Saint Louis – Budget Division, City of Tipton, Springfield R-XII School, and High Point R-III School** each assume the proposal would not have a direct fiscal impact on their respective organization.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local subdivisions, colleges, universities, and schools were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
OTHER STATE FUNDS			
<u>Savings – Colleges & Universities and other state agencies reduction of weekly benefits base on unemployment rate</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
NET EFFECT ON OTHER STATE FUNDS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)			
<u>Costs – DOLIR Expense - IT Consultants</u>	<u>(\$194,206)</u>	<u>(\$39,812)</u>	<u>(\$40,807)</u>
NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)	<u>(\$194,206)</u>	<u>(\$39,812)</u>	<u>(\$40,807)</u>
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Savings – DOLIR Reduction of weekly benefits base on unemployment rate</u>	<u>\$0 to Greater than \$70,865,066</u>	<u>\$0 to Greater than \$70,865,066</u>	<u>\$0 to Greater than \$70,865,066</u>

ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	\$0 to Greater than <u>\$70,865,066</u>	\$0 to Greater than <u>\$70,865,066</u>	\$0 to Greater than <u>\$70,865,066</u>
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<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - potential increase in discount for employer contribution rate with the increase of fund balance due to the reduction of weekly benefits base on unemployment rate	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>

FISCAL IMPACT – Small Business

There are over 166,000 small businesses covered by Missouri’s unemployment insurance system. Changes to Missouri’s unemployment insurance laws have the potential to increase or decrease the amount of unemployment taxes small businesses pay depending on the state’s average unemployment rate.

FISCAL DESCRIPTION

This bill changes the average unemployment rate requirement in order for an insured worker to receive unemployment compensation benefits to:

- (1) Twenty weeks if the Missouri average unemployment rate is higher than 9%;

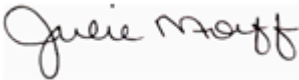
- (2) Nineteen weeks if the Missouri average unemployment rate is higher than 8.5% but no higher than 9%;
- (3) Eighteen weeks if the Missouri average unemployment rate is higher than 8% but no higher than 8.5%;
- (4) Seventeen weeks if the Missouri average unemployment rate is higher than 7.5% but no higher than 8%;
- (5) Sixteen weeks if the Missouri average unemployment rate is higher than 7% but no higher than 7.5%;
- (6) Fifteen weeks if the Missouri average unemployment rate is higher than 6.5% but no higher than 7%;
- (7) Fourteen weeks if the Missouri average unemployment rate is higher than 6% but no higher than 6.5%;
- (8) Thirteen weeks if the Missouri average unemployment rate is higher than 5.5% but no higher than 6%; and
- (9) Twelve weeks if the Missouri average unemployment rate is at or below 5.5%.

All necessary rules and regulations for the administration of this section will be established by the Division of Employment Security within the Department of Labor and Industrial Relations.

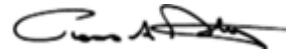
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Missouri Department of Transportation
Office of Administration
Missouri Department of Conservation
University of Central Missouri
Missouri State University
Northwest Missouri State University
State Technical College of Missouri
City of Springfield
City of Kansas City
City of Saint Louis – Budget Division
City of Tipton
Springfield R-XII School
High Point R-III School



Julie Morff
Director
February 23, 2021



Ross Strope
Assistant Director
February 23, 2021