

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3986H.01P
Bill No.: Perfected HB 1860
Subject: Unemployment Compensation; Employees - Employers; Employment Security;
Labor and Management; Department of Labor and Industrial Relations
Type: Original
Date: April 6, 2022

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	More or Less than \$1,435,004	More or Less than \$1,435,004	More or Less than \$1,435,004
Total Estimated Net Effect on General Revenue	More or Less than \$1,435,004	More or Less than \$1,435,004	More or Less than \$1,435,004

*Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor’s veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes, reducing the weekly claims to as low as 8 weeks (depending on Missouri’s unemployment rate) resulting in potential savings.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Other State Funds*	More or Less than \$749,040	More or Less than \$749,040	More or Less than \$749,040
Total Estimated Net Effect on <u>Other</u> State Funds	More or Less than \$749,040	More or Less than \$749,040	More or Less than \$749,040

Numbers within parentheses: () indicate costs or losses.

* Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor’s veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes, reducing the weekly claims to as low as 8 weeks (depending on Missouri’s unemployment rate) resulting in potential savings.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Unemployment Insurance Trust Fund*	More than or Less than \$51,025,011	More than or Less than \$51,025,011	More than or Less than \$51,025,011
Other Federal Funds	More or Less than \$457,276	More or Less than \$457,276	More or Less than \$457,276
Total Estimated Net Effect on <u>All</u> Federal Funds	More than or Less than \$51,482,287	More than or Less than \$51,482,287	More than or Less than \$51,482,287

* Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor’s veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes, reducing the weekly claims to as low as 8 weeks (depending on Missouri’s unemployment rate) resulting in potential savings.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Division of Employment Security (DES)

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. The unemployment rate used to determine the number of weeks available on the claim would be the statewide rate published by the United States Department of Labor, Bureau of Labor Statistics, on the date that the initial claim is filed. DES assumes the effective date of a claim will be the effective date of a claimant's benefit year.

DES estimates eligible claimants receiving from \$0 (no change) to \$111.6 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
5.1% - 5.5%	8 weeks	12 weeks	\$70,865,066	*\$10,259,411
4.6% - 5.0%	9 weeks	11 weeks	\$80,988,452	\$10,191,400
4.1% - 4.5%	10 weeks	10 weeks	\$91,179,852	\$10,191,400
3.6% - 4.0%	11 weeks	9 weeks	\$101,371,252	\$10,191,400
3.5%	12 weeks	8 weeks	\$111,562,651	\$10,191,400

*These numbers are based on 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.

DES estimates eligible claimants receiving from \$0 (no change) to \$111.6 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.

Oversight notes that according to the U.S. Department of Labor, Missouri's average seasonally adjusted unemployment rate for the time period of October to December 2018 was 3.1%. Additionally the Missouri seasonally adjusted unemployment rate for October to December 2019 was 3.1%. **Oversight** will not show an average unemployment rate for FY 2020 due to the COVID-19 fluctuation in unemployment rates and as a potential outlier.

Oversight notes there is a change in the fiscal note if compared to similar legislation, HB 1409 from 2018. According to DOLIR the assumption was made that the amount of funding is based on the number of weeks paid which was incorrect, in fact the Federal funding for administration of the Unemployment Compensation Program is based on the number of initial claims processed, which they believe will not be changed by this proposal. Therefore, Oversight will not reflect any additional reduction to the Unemployment Compensation Administration Fund beyond the ITSD fiscal impact (0948). These changes were also noted in the fiscal note for HB 217 from 2019 session.

Oversight notes that the average duration of unemployment claims in last three years was 12.4 weeks rounded to nearest tenth.

State	Year	Quarter	Exhaustions Rate Past 12 Months		Average Duration Past 12 Months	Insured Unemployment Rate	
			(%)	Rank	Weeks	(%)	Rank
MO	2018	1	33.2	25	12.3	1.1	34
MO	2018	2	32.2	27	12.1	0.8	37
MO	2018	3	32	28	12.2	0.8	34
MO	2018	4	31.5	30	12.3	0.7	40
MO	2019	1	30.9	27	12.5	1	34
MO	2019	2	30.6	27	12.8	0.6	41
MO	2019	3	31.8	23	12.8	0.7	36
MO	2019	4	32.6	23	12.9	0.7	39
MO	2020	1	32.7	24	10.9	1.2	35
MO	2020	2	41.1	24	10.7	8.1	45
MO	2020	3	100	1	13.3	4.4	46
MO	2020	4	35	28	13.9	1.9	47

Source: https://oui.doleta.gov/unemploy/data_summary/DataSummTable.asp

Oversight will note that U.S. DOL shows an average unemployment insurance rate in Missouri was 1.9% from 2018 to 2020 with 30% of total unemployed workers claiming maximum of 20 weeks at any time. (Source: <https://oui.doleta.gov/unemploy/claims.asp>) Since the actual average duration of unemployment payments in Missouri is only 12 weeks (see above chart), and the current unemployment rate in Missouri is 3.3% the claims would be limited to 8 weeks under the proposal. Therefore, **Oversight** will reflect a savings to the Unemployment Trust Fund of DOLIR's estimate of weekly incremental savings between weeks 12 and 8 ($\$10,259,411 + (\$10,191,400 \times 4) = \$51,025,011$).

Officials from the **Office of Administration (OA)** note:

Per section 288.060.5, the duration of benefits payable to any insured worker during any benefit year shall be limited to eight weeks if unemployment rate is at or below 3½%.

Currently the duration of benefits payable to any insured worker during any benefit year is limited to thirteen weeks if the average unemployment rate is below 6%. This proposal would decrease this to eight weeks if the rate is below 3 1/2 %.

The number of state employees who drew unemployment benefits in FY21 was 2,530. The maximum unemployment benefits paid are \$320 per week. Assuming all employees will draw the maximum 5 weeks less than in FY21, the maximum savings to the State would be \$4 million. However, the unemployment benefit and weeks drawn varies by individual, therefore the savings will range from zero to \$4 million.

The total was allocated between General Revenue, Federal and Other based on Office of Administrations Unemployment Payment Data for FY21.

Oversight notes the U.S. Department of Labor shows the average weekly benefits from 2016 to 2019 was \$261 per week and average exhaustion of 12.3 week as shown in table below:

Table 1. Unemployment Data

State	Year	Quarter	Average Duration Past 12 Months	Insured Unemployment Rate	Average Weekly Benefits	Average Weekly Wage
			Weeks	(%)	\$	\$
MO	2016	1	NA	1.40	NA	\$867
MO	2016	2	12.6	0.80	\$253.0	\$872
MO	2016	3	12.4	1.00	\$249.8	\$883
MO	2016	4	12.0	0.90	\$249.6	\$879
MO	2017	1	11.9	1.20	\$262.3	\$892
MO	2017	2	12.1	0.90	\$261.3	\$898
MO	2017	3	12.1	0.90	\$259.5	\$896
MO	2017	4	12.1	0.90	\$253.6	\$903
MO	2018	1	12.3	1.10	\$268.6	\$910
MO	2018	2	12.1	0.80	\$268.0	\$920
MO	2018	3	12.2	0.80	\$265.7	\$927
MO	2018	4	12.3	0.70	\$256.7	\$935
MO	2019	1	12.5	1.00	\$269.4	\$941
MO	2019	2	12.8	0.60	\$267.5	\$947
MO	2019	3	12.8	0.70	\$264.7	\$956
MO	2019	4	12.9	0.70	\$258.4	\$964
MO	2020	1	10.9	1.20	\$273.4	\$971
MO	2020	2	10.7	8.10	\$269.9	\$987
MO	2020	3	13.3	4.40	\$246.5	\$1,002
MO	2020	4	13.9	1.90	\$239.7	\$1,032
MO	2021	1	14.7	2.00	\$247.8	\$1,041
			12.3		\$260.7	

Source: [Dept. Labor Data 2016-2020 here](#)

Oversight notes that not all unemployed workers who file for benefit use maximum benefits given. Additionally, Oversight did not use any data points published between 2020 and 2021 because, with the COVID – 19 pandemic and the numbers would be unrealistically high.

Oversight notes that officials from the OA provided information that not all unemployment benefits paid in were paid from the General Revenue Fund, but instead using some Federal and Other State funds to fulfil the obligation.

Therefore, **Oversight** will reflect savings in amount of \$2,641,320 (\$261x 4 weeks x 2530 displaced (unemployed) workers with impact that could be less than or exceed \$1,435,004 in General Revenue Fund (54.33%), \$457,276 in Federal Funds (17.31%) and \$749,040 in an Other State Funds (28.36%) on the fiscal note.

Officials from the **University of Central Missouri** assume there is a potential fiscal impact; however, the University is unable to determine exact amount at this time.

Oversight notes the above University assumes there could be a potential fiscal impact stemming from the proposal. Oversight note that paying lesser amount in unemployment compensation will benefit the colleges and universities in Missouri. However, for purpose of this fiscal note, Oversight will note zero impact for colleges and universities.

Officials from the **City of Kansas City** assume this legislation may have a small positive fiscal impact on the City.

In response to the similar proposal, SB 665-2022, officials from the **City of O'Fallon** assume if enacted the City will see a decrease in costs associated with unemployment. It is impossible to predict the cost savings, as the number of former employees on unemployment varies, and the unemployment rate obviously varies.

Oversight notes the above organizations have stated the proposal would have a direct fiscal impact on their organizations. The 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 employers that would be a result of this proposal; therefore, Oversight will reflect a zero to potential unknown negative impact to smaller local political subdivisions.

Finally, **Oversight** notes that reduction in collections of unemployment could modify the balance levels in the Unemployment Compensation Trust Fund at which employer contribution rates would be changed. DOLIR officials noted the proposed language would allow for a higher balance to be accumulated in the fund.

Oversight assumes the Board of Unemployment Fund Financing would have the option to issue debt instruments in place of federal loans. Oversight notes the debt instruments may have a higher interest rate than the federal loans, but Missouri employers could potentially avoid the reduction in state tax credit on federal unemployment taxes if federal loans are paid off with state financing instruments. This would tend to offset the additional interest cost of the state financing instruments.

However, for purpose of this fiscal note, **Oversight** will note zero impact due to the fluctuation of tax rate and collection potential at this time, in the fiscal note.

Officials from the **Office of Administration – Administrative Hearing Commission, Missouri Department of Conservation, Missouri Department of Transportation, City of Springfield, Missouri State University, Missouri University System, and the Saint Charles Community**

College each assume the proposal would not have an impact on their respective organizations. Therefore, **Oversight** will reflect a zero impact in the fiscal note for above respective organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Savings</u> – OA – Section 288.060 - 8 week unemployment State Employees (p.7)	More or Less <u>\$1,435,004</u>	More or Less <u>\$1,435,004</u>	More or Less <u>\$1,435,004</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	More or Less <u>\$1,435,004</u>	More or Less <u>\$1,435,004</u>	More or Less <u>\$1,435,004</u>
OTHER STATE FUNDS			
<u>Savings</u> – OA – Section 288.060 - 8 week unemployment State Employees (p.7)	More or Less <u>\$749,040</u>	More or Less <u>\$749,040</u>	More or Less <u>\$749,040</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	More or Less <u>\$749,040</u>	More or Less <u>\$749,040</u>	More or Less <u>\$749,040</u>
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Savings</u> – DOLIR - ' 287.060. 5. (1) - Reduction of weekly benefits base on unemployment rate (including OA estimates) (p.6)	More than or Less than <u>\$51,025,011</u>	More than or Less than <u>\$51,025,011</u>	More than or Less than <u>\$51,025,011</u>
ESTIMATED NET EFFECT ON THE UNEMPLOYMENT COMPENSATION TRUST FUND	More than or Less than <u>\$51,025,011</u>	More than or Less than <u>\$51,025,011</u>	More than or Less than <u>\$51,025,011</u>
OTHER FEDERAL FUNDS			
<u>Savings</u> – OA – Section 288.060 - 8 week unemployment State Employees (p.7)	More or Less <u>\$457,276</u>	More or Less <u>\$457,276</u>	More or Less <u>\$457,276</u>
ESTIMATED NET EFFECT ON OTHER FEDERAL FUNDS	More or Less <u>\$457,276</u>	More or Less <u>\$457,276</u>	More or Less <u>\$457,276</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

Under current law, the maximum duration for an individual to receive unemployment benefits is 20 weeks. This act modifies the duration an individual can receive such benefits by basing it on the Missouri average unemployment rate, as follows:

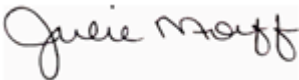
- 20 weeks if the Missouri unemployment rate is higher than nine percent;
- 19 weeks if the Missouri unemployment rate is higher than 8.5% but no higher than 9%;
- 18 weeks if the Missouri unemployment rate is higher than 8% but no higher than 8.5%;
- 17 weeks if the Missouri unemployment rate is higher than 7.5% but no higher than 8%;
- 16 weeks if the Missouri unemployment rate is higher than 7% but no higher than 7.5%;
- 15 weeks if the Missouri unemployment rate is higher than 6.5% but no higher than 7%;
- 14 weeks if the Missouri unemployment rate is higher than 6% but no higher than 6.5%;
- 13 weeks if the Missouri unemployment rate is higher than 5.5% but no higher than 6%;
- 12 weeks if the Missouri unemployment rate is higher than 5% but no higher than 5.5%;
- 11 weeks if the Missouri unemployment rate is higher than 4.5% but no higher than 5%;
- 10 weeks if the Missouri unemployment rate is higher than 4% but no higher than 4.5%;
- 9 weeks if the Missouri unemployment rate is higher than 3.5% but no higher than 4%; and
- 8 weeks if the Missouri unemployment rate is at or below 3.5%.

These provisions take effect beginning January 1, 2023.

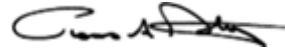
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of Administration
Office of Administration – Administrative Hearing Commission
Missouri Department of Conservation
Missouri Department of Transportation
University of Missouri System
Missouri State University
University of Central Missouri
City of Kansas City
City of Springfield



Julie Morff
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April 6, 2022



Ross Strobe
Assistant Director
April 6, 2022