

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4570-01  
Bill No.: HB 2072  
Subject: Employment Security; Employees - Employers; Labor and Management,  
Department of Labor and Industrial Relations  
Type: Original  
Date: February 3, 2020

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Unemployment Automation Fund	Up to \$5,000,000	Up to \$5,000,000	Up to \$5,000,000
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Up to \$5,000,000</b>	<b>Up to \$5,000,000</b>	<b>Up to \$5,000,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Unemployment Trust Fund	Up to (\$5,000,000)	Up to (\$5,000,000)	Up to (\$5,000,000)
Unemployment Compensation Administration Fund	\$0 up to (\$22,537)	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>Up to (\$5,022,537)</b>	<b>Up to (\$5,000,000)</b>	<b>Up to (\$5,000,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

#### Division of Employment Security (DES):

Section 288.135 would require each employer that is liable for contributions to pay an annual unemployment automation surcharge of fifteen one-thousandths of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June 30th. The total surcharge due from all employers is not to exceed five million dollars.

In addition, the applicable unemployment contributions rate of each employer liable for contributions shall be reduced by fifteen one-thousandths of one percent.

The proposed legislation would result in a no net tax increase for the employer. Based on 2017 data, the surcharge would redirect approximately \$3.8 million from the UI Trust Fund (federal fund) to the unemployment automation fund (state fund).

Taxable wage for period ending June 30, 2019: \$ 25,048,675,452 X 0.015% = \$3,757,301

#### ITSD:

A new batch job needs to be written to calculate automation adjustment percentage, amount and post it to employers account. Correspondence needs to be modified to notify the employers regarding automation adjustment amount and due date etc. Annual rate batch needs to be modified to lower down the contribution rate of employers who paid automation adjustment based on business rules. New tables need to be created to store unemployment automation fund and each employer's contribution towards it.

ITSD services will be required at a cost of \$22,537 (203.04 hours x \$111 per hour) in FY 2021.

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 2021 budget is final, the Department cannot identify specific funding sources.

ASSUMPTION (continued)

**Oversight** notes for this bill, ITSD assumes they will contract out the programming changes needed to update automation adjustment percentage, contribution rate of employers, and to create tables for unemployment automation fund. ITSD estimates the project would take 203.04 hours at a contract rate of \$111 per hour for a total cost to the state of \$22,537. Oversight notes that DOLIR has an existing maintenance contract that is paid by the Unemployment Compensation Administration Fund, supplemented by the Unemployment Automation Fund as funds are available. Therefore, Oversight will reflect IT consultant cost of \$0 up to \$22,537.

Officials from the **Office of Administration, State Treasurer's Office, Department of Transportation, and Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their organization.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their government.

Officials from the **State Technical College of Missouri** and **University of Missouri** both assume the proposal will have no fiscal impact on their respective organization.

**Oversight** notes that the Office of Administration, State Treasurer's Office, Department of Transportation, Missouri Department of Conservation, City of Kansas City, State Technical College of Missouri, and University of Missouri have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges, school districts, counties, and cities 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 2021 (10 Mo.)	FY 2022	FY 2023
<b>UNEMPLOYMENT AUTOMATION</b>			
<u>Transfer In</u> - DOLIR From Federal Unemployment Trust Fund	Up to <u>\$5,000,000</u>	Up to <u>\$5,000,000</u>	Up to <u>\$5,000,000</u>
<b>NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND</b>	<b>Up to <u>\$5,000,000</u></b>	<b>Up to <u>\$5,000,000</u></b>	<b>Up to <u>\$5,000,000</u></b>
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>			
Cost - DOLIR - ITSD costs	\$0 up to <u>(\$22,537)</u>	<u>\$0</u>	<u>\$0</u>
<b>NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>	<b>\$0 up to <u>(\$22,537)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>UNEMPLOYMENT TRUST FUND</b>			
<u>Transfer Out</u> - DOLIR To State Unemployment Automation Fund	Up to <u>(\$5,000,000)</u>	Up to <u>(\$5,000,000)</u>	Up to <u>(\$5,000,000)</u>
<b>NET EFFECT ON UNEMPLOYMENT TRUST FUND</b>	<b>Up to <u>(\$5,000,000)</u></b>	<b>Up to <u>(\$5,000,000)</u></b>	<b>Up to <u>(\$5,000,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill requires that an employer pay an annual unemployment automation adjustment that is .015% of the employer's total taxable wages for a 12 month period ending June 30th of each year. The Division of Employment Security, within the Department of Labor and Industrial Relations, may reduce the percentage to ensure that the adjustment due does not exceed \$5 million annually. An employer who is liable to pay an adjustment shall be notified by March 31 of each year of the amount that is due and such amount will be considered delinquent 30 days thereafter.

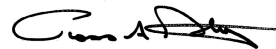
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
State Treasurer's Office  
Missouri Department of Transportation  
Department of Conservation  
Office of Administration  
State Technical College of Missouri  
University of Missouri  
City of Kansas City



Julie Morff  
Director  
February 3, 2020



Ross Strope  
Assistant Director  
February 3, 2020