

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1496H.02C  
Bill No.: HCS for HB 649  
Subject: Employment Security; Unemployment Compensation; Employees - Employers;  
Labor and Industrial Relations, Department of; Labor and Management  
Type: Original  
Date: March 18, 2021

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Various State Agencies, Colleges & Universities	\$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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Unemployment Compensation Trust Fund*	More than or Less than \$10,259,411	More than or Less than \$10,259,411	More than or Less than \$10,259,411
Unemployment Compensation Administration Fund (0948)	(\$194,206)	(\$39,812)	(\$40,807)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>More than or Less than \$10,062,205</b>	<b>More than or Less than \$10,219,599</b>	<b>More than or Less than \$10,218,604</b>

\*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 revises these changes.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 2022</b>	<b>FY 2023</b>	<b>FY 2024</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)** 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:

<b>If Unemployment Rate Is</b>	<b># Regular UI Weeks Reduced</b>	<b>Maximum Duration for Regular UI</b>	<b>Estimated Regular UI Benefits NOT Paid to Eligible Recipients (Trust Fund)</b>	<b>Incremental Difference For Additional Week</b>
>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.

**Section 288.104**

There is no anticipated fiscal impact to DOLIR as a result of this 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.

However, this legislation does require the department utilize the Integrity Data Hub published by the UI Integrity Center of the National Association of State Workforce Agencies (NASWA). While the department is currently utilizing this hub, there may be future advances to other systems outside of the Integrity Data Hub that may more helpful to the department and/or the subscription costs for NASWA may shift. By mandating that the department use the Integrity Data Hub specifically, it may prevent the department from using any future systems, and could result in future fiscal impact if the subscription costs associated with NASWA change.

**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 average duration of benefits 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](https://labor.mo.gov/sites/labor/files/pubs_forms/2020_AnnualReport-AI.pdf) )

According to DOLIR's website, Missouri's unemployment rate for February 2020 was 4.2%. Oversight notes the average duration of unemployment benefits of 12.9 weeks in 2019 (13.1 weeks in 2015, 12.0 weeks in 2016, 12.1 weeks in 2017, and 12.3 weeks in 2018) was pre-COVID 19; and everything regarding unemployment has changed substantially since February 2020. Therefore, Oversight will reflect a savings to the Unemployment fund of More Than or Less Than \$10,259,411, the incremental difference for an additional week of benefits of \$10,259,411. The average weekly benefit amount in 2019 was \$266.

#### 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 1/12<sup>th</sup> 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 the **City of Springfield** assume this proposal would not have a direct fiscal impact on their respective organization.

In response to the previous version of this proposal, HB 649 (1496H.01) 2021, Officials from **Missouri Department of Conservation, Office of Administration, Missouri State University, Northwest Missouri State University, State Technical College of Missouri, 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>Savings</u> – DOLIR Reduction of weekly benefits base on unemployment rate	More than or Less than <u>\$10,259,411</u>	More than or Less than <u>\$10,259,411</u>	More than or Less than <u>\$10,259,411</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND</b>	<b>More than or Less than <u>\$10,259,411</u></b>	<b>More than or Less than <u>\$10,259,411</u></b>	<b>More than or Less than <u>\$10,259,411</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<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	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	\$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%;

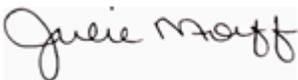
- (5) Sixteen weeks if the Missouri average unemployment rate is higher than 7% but no higher than 7.5%;
- (6) Fifteen weeks if the Missouri average unemployment rate is higher than 6.5% but no higher than 7%;
- (7) Fourteen weeks if the Missouri average unemployment rate is higher than 6% but no higher 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  
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



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