

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4224-04
Bill No.: Perfected HS for HCS for HB 1268 and 1211
Subject: Employees-Employers; Employment Security; Labor and Industrial Relations
 Dept., Unemployment Compensation
Type: # Corrected
Date: April 26, 2004
 # Corrected bill number.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue Fund	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Unemployment Compensation Trust Fund	Unknown	Unknown	Unknown
Special Employment Security Fund *	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

* net of assessments and payments; excludes bond proceeds and repayments.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government *	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown

* excludes interest and debt service charges.

FISCAL ANALYSIS

ASSUMPTIONS

In response to a previous version of the proposal, officials from the **Office of Administration, Division of Accounting** assume this proposal would have no impact on their organization or on the state General Revenue Fund.

Officials from the **Department of Labor (DOL)** did not respond to our request for information. Their response to a previous version of the proposal indicated a cost to the General Revenue Fund for bond interest of \$16,050,668 for FY 2006 and \$12,059,398 for FY 2007. Net revenues over expenditures for the Unemployment Compensation Trust Fund would have increased \$112,332,911 for FY 2005, \$149,91,606 for FY 2006, and \$117,355,550 for FY 2007. There would have been an increased cost to local governments of \$353,842 for FY 2005, reduced cost of \$4,319 for FY 2006, and reduced cost of \$244,113 for FY 2007.

ASSUMPTION (continued)

Amendments:

Amendment #1 would increase disqualification penalties and increase the amount of wages a claimant would need to qualify for benefits after a disqualification.

Amendment #2 would create the Missouri State Unemployment Council.

Amendment #3 would allow the Division of Employment Security to contract with a private entity for the collection of overpaid benefits and delinquent employer contributions.

Amendment #4 would set qualifications for claimants who refuse work because of a perceived threat of domestic violence.

Amendment #5 would increase the state taxable wage base to \$11,000 and provide for increased employer contributions to replenish the Unemployment Compensation Trust Fund.

Amendment #6 would require the Division of Employment Security to develop and distribute a summary of the law changes.

Amendment #8 would increase maximum weekly benefits under prescribed circumstances.

Amendment #9 would require that contracts under the proposal be performed by citizens of the United States of America or persons properly authorized to work in the United States of America.

Oversight notes that the proposal with amendments differs significantly from the version for which the Department of Labor and Industrial Relations prepared a fiscal estimate. Accordingly, Oversight will show unknown costs and revenues to the respective funds and local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Cost</u> - Interest on bonds	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SPECIAL EMPLOYMENT SECURITY FUND			
<u>Revenue</u> - employer assessments *	unknown	unknown	unknown
<u>Cost</u> - Interest on bonds *	(unknown)	(unknown)	(unknown)
ESTIMATED NET EFFECT ON SPECIAL EMPLOYMENT SECURITY FUND *	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* assessments presumed equal to costs; excludes bond proceeds and repayments.			
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Income</u> - Division of Employment Security			
Increased contributions	Unknown	Unknown	Unknown
<u>Cost Reduction</u> - Division of Employment Security			
Decreased benefit payments	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
LOCAL GOVERNMENTS			
<u>Cost Reduction</u>			
Decreased benefit payments	Unknown	Unknown	Unknown
<u>Cost - Increased contributions *</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *			
* excludes interest and debt service charges.	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would revise employment security laws as follows:

- The state taxable wage base for 2004 would be \$10,000 and future years' taxable wage base amounts would be increased or decreased depending on the Unemployment Compensation Trust Fund balance.
- The maximum weekly benefit amount for years 2004 and 2005 would not exceed \$250. For years 2006 and 2007 the amount would not exceed \$255. For years 2008 and thereafter the amount would not exceed \$260.
- Claimants will not be considered ineligible for benefits if they are temporarily unemployed through no fault of their own or if they are participating in a state-approved drug or alcohol treatment program.
- Misconduct disqualification provisions would be added.

DESCRIPTION (continued)

- Increases and decreases in employer contribution rates would increase or decrease based on a rate table. Increases would be triggered by a declining Unemployment Compensation Trust Fund balance and decreases would be triggered by an increasing balance.
- A new temporary solvency charge would be added to employers' contribution rates.
- Procedures would be established for issuing bonds to replenish the Unemployment Compensation Trust Fund.
- Amendment #1 would increase disqualification penalties and increase the amount of wages a claimant would need to qualify for benefits after a disqualification.
- Amendment #2 would create the Missouri State Unemployment Council.
- Amendment #3 would allow the Division of Employment Security to contract with a private entity for the collection of overpaid benefits and delinquent employer contributions.
- Amendment #4 would set qualifications for claimants who refuse work because of a perceived threat of domestic violence.
- Amendment #5 would increase the state taxable wage base to \$11,000 and provide for increased employer contributions to replenish the Unemployment Compensation Trust Fund.
- Amendment #6 would require the Division of Employment Security to develop and distribute a summary of the law changes.
- Amendment #8 would increase maximum weekly benefits under prescribed circumstances.
- Amendment #9 would require that contracts under the proposal be performed by citizens of the United States of America or persons properly authorized to work in the United States of America.

DESCRIPTION (continued)

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

NOT RESPONDING

Department of Labor and Industrial Relations
Office of Administration
Division of Accounting



Mickey Wilson, CPA
Director
April 26, 2004