

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4496-01
Bill No.: HB 1066
Subject: Unemployment Compensation
Type: Original
Date: January 9, 2012

Bill Summary: This proposal would increase the minimum base period pay below which amount no charge may be made against an employer's account as it relates to unemployment compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration** assume there would be no impact to their organization since the state reimburses actual expenses instead of paying into the trust fund.

Officials from the **Department of Conservation** assume there would be no fiscal impact to their organization.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume that the impact of this proposal on the Unemployment Compensation Trust Fund (UCTF) can not be estimated.

DOLIR officials stated that under current law, employers are not charged for unemployment benefits paid to employees who were paid \$400 or less while in their employ. This bill increases this amount to \$1,500.

When unemployment benefits are not charged to an employer, they are charged to a pool and the responsible employer's tax rate is not directly affected by these charges. In general, these pool charges cause tax rates for all employers to remain higher than if these charges were attributable to the employer responsible for the benefit charges because secondary tax rate adjustments, not based on experience, are either activated or remain active.

In the year ended June 30, 2011, \$663,015 in benefits was charged to that pool. Assuming this proposal would result in four times as many pool charges, an estimated additional \$2 million would be non-charged each year. In addition, the employers not charged for benefits paid would receive a lower contribution rate. The proposal would result in more pool charges and may result in higher contribution rates for all non-zero-rate employers through secondary tax rate adjustments.

Oversight assumes that the overall impact to the UCTF would be negligible, as the secondary rate adjustments to all employers would provide UCTF revenues approximately equal to the amounts that primary rate adjustments to individual employers would provide under existing provisions. Some individual employers would pay more or less than under current provisions.

ASSUMPTION (continued)

Officials from the **Department of Transportation** (MODOT) assume the impact of this proposal on their organization cannot be determined; however, it would be less than \$100,000.

Under the current law, an employer's unemployment compensation account is not charged if the employer pays an employee \$400 or less in wages. HB 1066 would increase the amount of wages from \$400 to \$1,500 thereby expanding when the employer's unemployment compensation account is charged.

Oversight notes that MODOT is a state agency that reimburses the UCTF for claims paid, and assumes this proposal would have no fiscal impact on state agencies and other entities which are on a reimbursement basis.

Officials from the **University of Missouri** assume the fiscal impact of this proposal on their organization would not be huge.

Oversight will assume that any impact on the University of Missouri is insignificant and will not be included in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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

The proposed legislation appears to have no fiscal impact

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

Office of Administration
Department of Conservation
Department of Labor and Industrial Relations
Department of Transportation
University of Missouri



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Director
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